SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1965

No. 73

UNITED STATES, Appellant,

vs.

GRINNELL CORPORATION, ET AL.

No. 74

GRINNELL CORPORATION, Appellant,

vs.

UNITED STATES

No. 75

AMERICAN DISTRICT TELEGRAPH COMPANY, Appellant,

vs.

UNITED STATES

No. 76

HOLMES ELECTRIC PROTECTIVE COMPANY, Appellant,

vs.

UNITED STATES

No. 77

AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Appellant,

vs.

UNITED STATES

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Exhibit Volume IX

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[fols. 7626-7627] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W24A

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, et al., Defendants

Deposition of ALFRED WAYNE JACKSON, taken before Donald S. Mehler, a Notary Public within and for the State of Ohio, at the offices of Diebold, Incorporated, 818 Mulberry Road Southeast, Canton, Ohio, at 10:45 A.M., Wednesday, July 10, 1963, and 9:45 A.M., Thursday, July 11, 1963, pursuant to notice and stipulations of counsel, on behalf of Defendants American District Telegraph, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware in this cause.

* * * * * * *

[fol. 7628] ALFRED WAYNE JACKSON, of lawful age, called as a witness on behalf of Defendants American District Telegraph, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware for the purpose of direct examination, as provided by the Rules of Civil Procedure, being by me first duly sworn, as hereinafter certified, deposed and said as follows:

Direct examination of Alfred Wayne Jackson

By Mr. Conkling:

* * * * * * *

[fols. 7629-7631] Q. Would you state your full name for the record, please.

A. Alfred Wayne Jackson.

Q. Your residence address?
A. Congress Lake, Hartville, Ohio.
Q. By whom are you employed, Mr. Jackson?
A. Diebold, Incorporated.
Q. What is your position with that company?
A. Vice president, sales, in our Bank Division.

• • • • • • •

[fol. 7632] Q. What is the nature of the business of Diebold, Incorporated, Mr. Jackson?

A. We make a complete line of bank equipment for the protecting and handling of negotiable wealth. We also make a complete line of office equipment, specialized in that it relates to the handling of records.

Q. Well, now, today we are going to talk not at all about office equipment, your Office Equipment Division, but simply about the production and sales in your company's operations devoted to protection against loss of property. Incidentally, does your company do any kind of productive work or sales work in protection against fire loss?

[fols. 7633-7635] A. No.

Q. But solely against intrusion, intrusion into property?
A. Correct. That is correct.

• • • • • • •

[fol. 7636] Q. What is it that you and the people under your supervision have been selling or attempting to sell?

A. All of the protective equipment that is located within the vaults of banks, the alarm equipment incident to those vaults, and when I say, "alarm equipment," I define that more specifically as burglar and police alarm or holdup alarm, drive-up counters, under counter equipment, which of course has to do with the handling of money, safes, fire resistive vault doors, night depositories, television banking equipment that goes with each bank installation, either a new bank that is ordering or a reworked or remodeled bank.

Q. Now, having in mind that which you have just described, does your company manufacture all of the things necessary to make such an installation and make such a sale?

A. Except for that material which we must buy outside.

Q. Such as what?

A. Such as the television equipment incident to what we [fols. 7637-7639] call viewmatic installation, such as the intercom equipment incident to a drive-up installation. Other than that, we fabricate all of those products.

* * * * * * *

[fol. 7640] Q. Now, sir, you said that in or about 1945, at about the time the York Safe & Lock Company joined the Diebold family, there was also O. B. McClintock?

A. Yes.

Q. I think you said that this brought your company into the alarm business?

A. Correct.

Q. Would you tell me what you mean by that?

A. We had not, until that time, ever been interested in the sale of either burglar or holdup alarms. They were engaged solely in that business. The acquisition of that company gave us an immediate interest, because, obviously, we needed to sell the output of their manufacturing facilities.

Q. And you have been doing that since that time?

A. That is correct.

Q. When you say, "the burglar or holdup alarm business," what do you mean? Would you describe it for me generally?

A. A burglar alarm is designed to detect the presence of a burglar who is attempting to gain burglarious entry into a vault. A holdup alarm is designed to notify law [fol. 7641] enforcement agencies when a holdup starts at a bank.

Q. Does the burglar alarm system notify someone of an attempted burglarious entry?

A. It will notify all persons within a radius of one and a half miles of the bank premises.

Q. How will it make that notification?

A. It might do it by siren, it might do it by gong; alarm bell, in other words.

Q. Is this referred to in the industry as a local alarm system?

A. Yes.

Q. Now, going back for just a moment to 1945 and the O. B. McClintock Company, can you tell me where that company operated or made its sales efforts?

A. It operated on a nationwide basis.

Q. Since 1945 does your company operate on that same basis?

A. Yes, sir.

Q. In that line of business?

A. Yes, sir.

Q. The alarm business?

A. Yes, sir.

Q. Can you tell me approximately in how many cities of this country your company operates its alarm business, does its alarm business?

A. Local alarm business, you refer to?

[fol. 7642] Q. Well, yes, let's talk about that.

A. We do very little in the principal cities of this country, for the reason that—excuse me. We do very little in the principal cities of the country. You do not want the reasons.

Q. No. I think if I want the reasons, I will ask you for them.

A. That is right, obviously.

Q. When you asked me whether I was talking about local alarm systems, you had in mind other types of alarm business that your company is engaged in?

A. I had in mind local alarms as against central station alarms, or the type of alarm which notifies a central station when a burglarious attempt is made on a vault.

Q. What is a central station, as you refer to it?

A. A central station is a location staffed 24 hours a day which received burglar alarms, sprinkler alarms, and fire alarms from various locations, and passes on to law enforcement or fire department personnel the notification that a burglary, a fire, or a holdup has occurred or that a sprinkler has gone off in a plant location which is supervised by that central station.

Q. Does that description which you have just given me, Mr. Jackson, describe also a hookup directly from a protected premise into a police or fire department?

[fol. 7643] A. It does not.

Q. What is the difference?

A. The difference is that on a direct connection, the signal

that the burglary is in progress or that the holdup is in progress goes directly to the dispatcher's room at police headquarters. It does not bypass through that central station.

Q. When you say, "direct connection," therefore, I take it you mean exactly what you have said, it is a direct connection from the protected premise to the police department in the case of an anti-intrusion alarm?

A. By means of a direct, private telephone line leased from the telephone company.

Q. Now, this type of work, the direct connect work, as you have described it, is your company engaged in that type of alarm business?

A. That is our principal source of business.

Q. And that principal source of business is done in what parts of this country?

A. Generally speaking, in each state.

Q. And generally speaking, in each principal city?

A. No. No, it is not done in each principal city. Our business is largely a rural business, as opposed to a business that is done in the principal cities of all states.

[fol. 7644] Q. Well, does your company do that type of business, let's say, in Cleveland?

A. No.

Q. In Atlanta?

A. No.

Q. Not in Atlanta at all?

A. No. In Atlanta surrounding the City of Atlanta, I should say that. Atlanta has expanded far beyond its city limits. That portion of Atlanta outside the city limits is under the supervision of various police agencies. The City of Decatur, for example, is a city of approximately —this is a guess—50,000 people. It is really a continuation of the City of Atlanta, although it is a completely different political body. They will receive our alarms. The City of Atlanta per se does not.

Q. Does your company perform this type of direct connect alarm business in Chicago?

A. No, we do not.

Q. In New York?

A. We do not.

Q. Philadelphia?

A. We do not. Excuse me. I beg your pardon.

The Witness: Dwain, did not your investigation indicate that we have four connections in Philadelphia?

[fol. 7645] Mr. Crawford: That is right.

A. We have four connections in Philadelphia. Pardon me.

Mr. Crawford: Actually, three connections.

Q. Going back for a moment to your company's production facilities, and keeping out of the Office Equipment Division, which I am not interested in, but for the electronic devices that you may need, your company manufactures everything that it needs in engaging in the business which it is engaged in, am I right?

A. Yes.

Q. And of all the devices which your company manufactures, are they all Underwriters approved, Underwriters Laboratories approved?

A. All are approved by Underwriters in those cases where Underwriters offer a labeling service. To be more explicit, Underwriters do not label bank vault doors. There is no such thing as an Underwriters approved bank vault door. We subscribe to all Underwriters services which are available to us.

* * * * * * *

[fol. 7646] Q. Mr. Jackson, does your company make sales or render alarm service to types of business other than the banking business?

A. Yes. We serve such other customers as county treasurers, city treasurers, insurance companies, manufacturers who have stores of precious metal, supermarkets who have large accumulations of cash for check cashing purposes. Generally speaking, those are the other clients that we serve.

Q. Generally speaking, are you referring to what I might call a high inventory value type of business?

A. Yes.

Q. Money and negotiable instruments?

A. Yes. Some large jewelry companies.

Q. These types of businesses that you have just men-

tioned to me are protected by what, the local alarm services or the direct connect or both?

A. Generally by both. In those locations where we have such installations, again, the loss ratio today is approximately 98 per cent by holdup, 2 per cent by burglarious attack. The holdup direct connect situation is most desirable because of that loss ratio, so we do sell the holdup, and that [fol. 7647] is directly connected to a law enforcement agency.

Q. You mean a given installation or a given bank or jewelry shop or county treasury will have both a local alarm system plus a direct connection to a police headquarters?

A. Yes.

Q. Is this true with most of your customers——

A. Yes.

Q. —or some of them? I am afraid I do not understand your reference a moment ago to a loss ratio. I think you said that 2 per cent is attributable to holdup and——

A. No. Burglarious attack.

Q. Burglarious entry, and 98 per cent to holdup?

A. Yes. Approximately.

Q. This equals 100 per cent, you mean, of attempted——

A. Of actual losses paid by insurance companies in a year.

Q. Now, what is, then, the loss ratio among all of the premises which your company protects by one form of protection or another?

A. How much do they lose in a year?

Q. Yes. What is the loss ratio?

A. I would have no idea. The only place that I know that that information would be exactly available would be from the Board of Casualty & Surety Underwriters, which is an association of casualty underwriters which keeps careful [fols. 7648-7650] records on these loss ratios. I am not exactly familiar with the figures. I have heard them quoted by members of that group.

Q. Well, has it ever happened that some customer of yours suffers a loss and you hear about it?

A. We hear about it immediately.

Q. That is what I thought. Now, how often does that happen? Say in the last year.

A. Many times in holdup. It has never happened with a

burglarious attack on a vault protected by one of our Grade A alarms.

Q. But you say many times you have heard about losses by reason of holdup?

A. By holdup. Sometimes as many as five and six a day, when a particularly bad wave of holdups is going on.

Q. Mr. Jackson, can you tell me how many certificated bank vault installations your company has in existence now or as of the end of the last year, approximately?

A. No, I cannot. I do not——

Q. You cannot approximate it for me?

A. No. I simply do not know that figure.

* * * * * * *

[fol. 7651] Q. Are all of your installations which guard against intrusion of any protected premise certificated?

A. No. Only those systems are certificated which require certification in order that a user may secure a discounted insurance premium.

Q. What does "certification" mean, Mr. Jackson?

[fol. 7652] A. We, as manufacturers, issue a certificate which guarantees the insurance company that the device in question has been manufactured according to and is properly operating according to the standards established by Underwriters Laboratories, Incorporated.

Q. And you say you make that guarantee to whom?

A. To the user. The user, in turn, passes that on to the insurance company, and is granted a preferential insurance rate.

Q. Does that mean a discount of some kind from whatever the premium otherwise would be, the insurance premium?

A. That is correct.

Q. Do you know what those discounts are, having in mind your local burglar alarm systems as you have described them?

A. Our Grade A local burglar alarm enjoys a 65 per cent discount from a straight burglary insurance written in excess of a primary blanket bond.

Q. Can you tell me the approximate percentage of your customers who do not have certificated service or do not

have certificates issued by your company? Think in terms, if you will, of, say, the end of 1962.

A. I do not have the exact number. There are very few. I would say——

Q. Very few who what?

[fol. 7653] A. Who do not avail themselves of that certificate. You see, the insurance company insists that if you, a bank, have a Grade A burglar alarm, we guarantee it for its proper operation; the system is in working condition, there are no missing circuits, it will perform as it should. The only way we can guarantee that is to inspect it personally.

Q. From time to time?

A. Once each year, and as often during that year as may be required, in case a fault develops. Sometimes bankers say, "I carry no excess insurance. I do not want to pay your $110.00 service fee. All of my insurance is contained in my bankers blanket bond. Forget the service."

Q. What percentage of your customers say that?

A. Oh, I would say we get such a letter probably a dozen times a year.

Q. Compared to what? Compared to what kind of number?

A. Compared to all of our certificated alarm systems, and I frankly do not know how many that is.

(Thereupon a lunch recess was had.)

Q. Now, Mr. Jackson, I think that just before the lunch break I had asked you what, if you knew, was the approximate percentage of your alarm business installations which were not certified.

[fol. 7654] A. And I think I told you that we got roughly a dozen letters a year saying, "You can discontinue our service. We are completely covered by our primary blanket bond. We do not need your certificate, because we do not carry burglary insurance in excess of our blanket bond," or words to this effect.

Q. Then I think I asked you how that approximate dozen letters a year could be compared to some total, and then expressed in a percentage of non-certified as compared to certified alarm installations.

A. Well, you would have a build-up——

Q. I mean, can you say ten per cent or more or less or whatever?

A. Actually, I do not know how many we have that are non-certificated. My Lord, it has been going on since '46. Again I will just have to answer you that I do not know what that is percentage-wise.

Q. Well, without pressing you now for an answer, do you think if I leave a space in the transcript of this deposition that by some reasonable inquiry you can, when it comes time to read it, write it in and state an answer?

A. I think I can make that inquiry right now.

The Witness: Dwain, do you have a percentage on this? [fol. 7655] Mr. Crawford: I checked for four years and found it to be about ten per cent. I checked it for the years——

A. It is approximately ten per cent of our total number of——

Q. Alarm installations which are non-certificated?

A. Right.

Q. Now, the certificate that you talk about and as you have defined it for me, I think you have called a Grade A certificate?

A. Yes.

Mr. Morrison: Excuse me. If I might interrupt, Bob, when you say, "alarms," ten per cent of your alarms are certificated?

Mr. McGovern: Non-certificated.

Mr. Morrison: Are non-certificated.

What do you mean when you say, "alarms"? Are you referring only to local burglary alarms, are you including holdup alarms?

The Witness: I am referring specifically to local Grade A burglar alarms.

Mr. Morrison: And do not include holdup alarms?

The Witness: Correct.

Mr. Morrison: Thank you. I am sorry to interrupt, Bob. [fol. 7656] Mr. Conkling: That is all right.

Q. Well, what is the answer with respect to holdup alarms?

A. Our certification is based on our burglar alarms. We

do not certificate our Underwriters holdup alarms in very many instances. I would say in less than five per cent of the cases do we certificate our Underwriters approved holdup alarms.

Q. So that the percentage is approximately reversed, I take it——

A. Yes.

Q. —with your holdup alarms, am I right?

A. And in every instance we do, are willing to, and in all but ten per cent do, certificate our Grade A burglar alarms.

Q. Well, when you talk about a holdup alarm, is not the installation a Grade A installation? I mean, isn't its quality equal to the Grade A installation of those which are certificated?

A. Yes, but the reason it is not certificated is that the common practice in banks today is to carry a large enough blanket bond to cover ready cash outside the vault. Therefore, there is necessity for a certification as such.

Q. And the fact of certification——

A. Let me further explain, try and get my point across. [fol. 7657] You are a medium size bank, $50,000,000.00 total assets. You will have counter cash, probably, between $50,000.00 and $125,000.00. When I say, "counter cash," I mean exposed outside the vault. That size bank would probably carry $1,000,000.00 primary bond. There would never be any necessity for insurance written in excess over and above the blanket bond for holdup. By the same token, you might have in safe keeping in your Trust Department as much as $8,000,000.00 in negotiable bonds, collateral, securities which you had purchased for your account in storage under time lock in the vault. A complete burglary could clean you out of your $8,000,000.00 worth of bonds. A holdup cleaning you out of anything over $1,000,000.00 is just unthinkable. It just could not——

Q. Except in the case of a Brink's job?

A. That is right.

Q. I think $8,000,000.00 was the amount cleaned out of Brink's, wasn't it, and that was a holdup, wasn't it?

A. Yes, that was a holdup.

Q. So that it could happen?

A. It could happen.

Q. As it did happen then?

A. Yes. But it is extremely unlikely that any bank would carry excess in holdup coverage above their primary [fol. 7658] blanket bond. Therefore, they would have no use for a certificate. Obviously, we do not want to burden ourselves of the bookkeeping, the writing out of certificates. As a result, we do not do it.

Q. You are expressing, therefore, I take it, so far as holdup is concerned, a sum and substance of your experience in dealing with the customers you deal with and the bank people you talk to in your last answer, isn't that so?

A. That is correct.

Q. I take it, then, that there are approximately five per cent of banks who nevertheless do ask for a certificate and who get them from your company if they do request it, right?

A. Yes. They are available. There is no charge.

* * * * * * *

[fol. 7659] Q. Don't you quite normally in such situations become more directly involved if a certificate is involved and you must make inspections and make the guarantees that you talked about earlier this morning?

A. No, because, you see, our local system, the burglar alarm upon which we issue these certificates, will sound according to Underwriters requirements whether it is connected to police headquarters or not; our burglar alarm system.

Q. Will sound locally in the pemises in the event of an attempted burglary?

A. Therefore, it is operating properly. Therefore, we can issue a certificate.

Q. And it does not matter, if there is a connection to a police headquarters, whether the system between protected premises and police headquarters is operating as it should?

A. No, beause it is not required for certification. Now, yau say, "without exception." There are those cases where [fol. 7660] it is required, but those are in a small minority.

Q. In what number of your current installations, either by number, approximately, to the best of your recollection,

or by percentage, does your company have a service contract with the customer?

A. I would say 95 to 96 per cent of the instances.

Q. You do have a service contract?

A. Yes. That is a guess, but I believe it to be an accurate one.

Q. So that you, in the stated percentage of cases, 95 or 96 per cent, will have made a sale, and then thereafter continue to render a service during the term of the contract?

A. Life of the equipment.

Q. What is the normal term of a service contract with your company?

A. Three years.

* * * * * * *

[fol. 7661] Q. Based upon your experience, Mr. Jackson, is the A.D.T. Company competitor of your company?

A. In rural areas, no. In the large metropolitan areas, no. And the reason I say that is because we are not considered where we cannot offer a piece of equipment that will summon a law enforcement agency.

Q. Well, I thought you told me just a moment ago that in Denver you competed with the A.D.T. Company, and you mentioned several other cities of your own knowledge.

A. I mentioned Seattle, Kansas City, Cincinnati. Where we have these boards as shown on Exhibit C, we are in competition with A.D.T., because police have agreed to accept a direct signal in those areas, and I should have so qualified my answer in the beginning.

Q. Your company competes with A.D.T. in St. Paul, Minnesota, does it not?

[fol. 7662] Mr. Morrison: I object to the form of the question.

A. Yes.

Q. How about Oshkosh, Wisconsin, Mr. Jackson? I do not see that listed on Exhibit C for identification.

A. To my knowledge, we do not.

Q. Did your company provide a quotation on a job bid to the new American Bank on Main Street in Oshkosh, Wisconsin in 1961?

A. I do not know.

Q. How about Sioux City, Iowa? I do not see that listed on Exhibit C for identification.

A. Not to my knowledge.

Q. How about in Detroit, Michigan, Mr. Jackson?

A. Not to my knowledge.

Q. To police headquarters in the City of Wyandotte?

A. That is a Detroit suburb.

Q. Do they have Diebold equipment in that police headquarters?

A. Yes. Six customers hook up to it.

Q. Do you know whether or not it is a fact that the local police in that city point out to customers or potential customers the advantages of direct connect service?

Mr. Morrison: I object to the form of the question.

[fol. 7663] A. I do not know.

Q. How about Chicago, Mr. Jackson?

A. We do not send direct to police headquarters in Chicago.

Q. Doesn't your company provide holdup and burglar alarm service to the Devon State Bank in Chicago by direct line to the city police there?

Mr. Morrison: I object to the form of the question.

A. Not to my knowledge. Off the record.

(Discussion off the record.)

Q. Does your company sell proprietary alarm systems?

A. Yes.

Q. What is a proprietary system?

A. A proprietary system is a system, the circuitry of which is peculiar to that system, particularly the supervisory circuitry, and which has been approved by Underwriters Laboratories. While the alarm systems may qualify for a Grade A label, they are not necessarily alike in fact. They are different.

Q. How is a proprietary system such as you have defined and described different from a central station system?

A. It is not different than a central station system. The only difference lies in the fact that the signal goes from the bank to the central station rather than direct to the

[fol. 7664] police headquarters. Excuse me. It need not be different than a central station Grade A system. The only difference is in the manner in which the signal or the distress call is handled.

Q. In a proprietary system does the subscriber or owner's own personnel respond to the distress signal?

A. No.

Q. Is there a signal made to a console within the protected premise?

A. There may be. There is in the case of Federal Reserve Banks, as an example.

Q. In connection with proprietary systems which your company has sold, does your company have service contracts as a rule?

A. Yes.

Q. Now, sir, looking at the second page of Exhibit C for identification, it is said that 735 banks are connected to metropolitan systems in 94 cities. These are banks to which your company has sold an alarm system?

A. That is correct.

Q. And are the cities appearing on the top sheet of Exhibit C the cities in which those 735 bank installations have been made?

A. Yes, because this is a description of our metropolitan systems.

[fols. 7665-7666] Q. Are the cities appearing on the top sheet of Exhibit C for identification which are marked by an asterisk or an X cities in which the A.D.T. Company operates, do you know?

A. I do not know.

Mr. McGovern: Off the record for a moment.

(Discussion off the record.)

Q. Mr. Jackson, I show you a list of cities in which the A.D.T. Company operates, listed by the various states, a copy of which I previously submitted to your counsel. Can you tell me by reference to that list and checking of the cities on Exhibit C for identification whether the cities marked by asterisk or X are cities in which the A.D.T. Company operates? I will take a quick answer from that just to save time.

Mr. McGovern: The answer is yes.

A. Yes.

* * * * * * *

[fol. 7667] Q. Now, Mr. Jackson, referring again to the second page of Exhibit C for identification, there is a reference to Certified Alarm Company, Detroit, Michigan, and the No. 12, and then five additional lines of entry. Would you explain to me what they mean?

A. In the case of the Certified Alarm Company, Detroit, Michigan, in 12 customers locations we have sent to Certified Alarm Company's police station equipment our signal. They have the equipment in police headquarters which is acceptable to the Detroit police.

Q. And your company ties into that connection, is that the idea?

A. To their annunciator panel at police headquarters. That same explanation is true of the Automatic Alarm Company, Detroit, Michigan; the Gamewell Systems in Atlanta, Milwaukee, Chicago, and certain portions of New Jersey; the Victor Alarm Company in Clifton, New Jersey; to the city owned equipment in Atlanta; and the Miller Box System in Chicago.

[fol. 7668] Q. What does the reference relating to Victor Alarm, "We purchase panel from Victor for our use," mean?

A. We had to. In order to get them to allow us to hook in, we needed to purchase enough annunciator drops on their panel in police dispatch headquarters, and they charged us so much per annunciator drop.

Q. With reference to the annunciator equipment in Atlanta, what kind of equipment is that?

A. I do not know who made that equipment.

Q. Or from whom the City of Atlanta purchased it?

A. I do not know that.

Q. The reference to Miller Box in Chicago, would you clarify that just a little for me? Is that the name of a company, or what is it?

A. The Miller Box is an antiquated annunciator drop. It flops down kind of like an arm. It sets on a panel, a black panel, in police headquarters. When the alarm is punched

at a location, this—well, it's kind of like a cuckoo clock, this thing drops down, and there you see the name of the subscribing customer where the alarm has been initiated. It is in use in Chicago only at this time, I believe, Mr. Conkling.

Q. Now, how is that signal from the protected premise where the Miller box is used transmitted to the Miller box in [fol. 7669] police headquarters, is that by a coded paper or something?

A. By a direct telephone line which the customer leases from the telephone company.

Q. Is there a coded signal of some kind that trips the right flag in the box?

A. Well, there is a different telephone line for each of the Miller boxes coming from different locations.

Q. How about your direct connections to police headquarters, where they are made? How is that signal transmitted from the protected premise to police headquarters?

A. It is also transmitted by a telephone line which the user leases from the telephone company.

Q. And if a bank, let us say, such as Citizens and Southern in Atlanta has more than one branch, which is likewise protected, how does the signal differentiate between an attempted entry of one rather than another branch?

A. Each branch has a position on an annunciator panel at the police dispatcher's office. Opposite the two bull's eyes is a typewritten name of that location. When the alarm is sounded, the bull's eye blinks and an alarm bell sounds. The dispatcher reads the location, the typewritten location, from the card opposite the bull's eye which is sounding.

Q. Your counsel, Mr. McGovern, Mr. Jackson, has provided me with a copy of one of your company's brochures. [fol. 7670] Inside on that page at the bottom right, is this the panel that you have just described for me?

A. Yes, it is the panel that I have just described. It appears on Page 5 in the upper left-hand corner. Correction. A better description is in the lower right-hand corner.

Mr. Conkling: Will you mark that brochure, please, as Defendants' Exhibit E for identification.

(Diebold brochure marked, "Defendants' Exhibit E.)

Q. Mr. Jackson, as I understand it, with reference to the second page of Exhibit C for identification in front of you, the number of installations of your company through the companies indicated there, Certified, Automatic Alarm, Gamewell and so forth, are through equipment not owned by your company and represent sales by your company in addition to the 735 banks connected to metropolitan systems in 94 cities through your own equipment, is that correct?

A. That is correct.

Q. Now, that number, 735 banks, does that mean 735 [fol. 7671] installations or could there be a bank with more than one branch, so that the actual number of installations is more than 735?

Mr. Morrison: I will object to the question.

A. I would need to ask Mr. Crawford.

Q. Please do. Mr. Crawford has been here all along.

Mr. Crawford: Each one of these represents a location on the board. In other words, represents a——

A. An annunciator panel. Then, Mr. Conkling, the answer is that this is all inclusive.

Q. All right. Mr. Jackson, I show you another sheet labeled, "Schedule-Diebold," bearing some numbers on the top page, and to which is attached a second sheet. I ask you to look at those papers and tell me, please, on the record, what they say.

A. I will refer to sheet No. 2, which shows a breakdown of our 1959, 1960, 1961, and 1962 alarm installations, broken down by, first of all, locations, next by banks, next, other than banks, next, burglar alarms, next, police alarms, next, combined burglar and police alarms, next, by police departments, next, other than police departments. Then a breakdown of service fees from 1959 through 1962.

[fol. 7672] Mr. Conkling: I will have these two sheets marked as Defendants' Exhibit F for identification.

(Schedule of Diebold, Incorporated marked, "Defendants' Exhibit F.")

Q. Now, looking at the 1959 alarm installations on the second sheet, we see that there were 240 installations made in 1959?

A. That is correct.
Q. Which includes 225 at banks plus 15 other than banks?
A. Yes, sir.
Q. Now, how do the last four columns relate to the first three columns to the left?

Mr. Crawford: I can answer it for you.
Mr. McGovern: Off the record.

(Discussion off the record.)

Q. Do I understand correctly, sir, that in 1959 your company made 240 new installations, as indicated on the second sheet of Defendants' Exhibit F for identification?
A. Yes, sir.
Q. And that of the 240, 225 were sales or installations in banks and 15 were other than banks?
[fols. 7673-7674] A. Yes, sir.
Q. Now, looking at the next three columns, we find that 93 of the 240 are burglar alarms, 214 are police alarms, which are what, holdup alarms?
A. Yes.
Q. Which makes a total of 307, but 68 of them, as indicated by the sixth column, are combination, so subtracting the 68 from 307 we get the 240, give or take one, installations that were made in that year, is that correct?
A. That is correct.
Q. And of those 240 installations, 210 are connected to police departments in various cities of the country?
A. Yes, sir.
Q. And some of them, a few of them, I understand you to say, may be connected elsewhere, such as where, would you say, as an example?
A. Telephone answering services, local merchants who would agree to transmit an alarm when the bell sounded in their premises.
Q. In the protected premise, which may be next door or across the street, is that the idea?
A. That is correct.

* * * * * * *

[fol. 7675] Q. Mr. Jackson, will you refer, please, to the top page of Exhibit F for identification in front of you.

Item 1, apparently, indicates the total number of bank installations over the four-year period 1959 through 1962, is that correct?

A. That is correct.

Q. 1,168?

A. Correct.

Q. And further down, under Item 6, it is stated that there were total service fees of $229,411.98?

A. That is correct.

Mr. Morrison: Excuse me. Off the record.

[fol. 7676] (Discussion off the record.)

Q. The total service fees, as I understand it, collected by Diebold during the four years stated, '59 through '62, from the installations made during that period, the 1,239 installations made during that period, is $229,411.98, am I correct in that?

A. That is correct.

Q. And during that same period, as indicated in the second portion of Item 6 on the top sheet of Exhibit F for identification, the total revenue to your company from sales of alarm systems made during the period was $4,067,011.00, is that correct?

A. That is correct.

Q. And of both totals, I take it, service and sales, 94.4 per cent relate to installations which were made during the period in banks, am I right?

A. That is correct.

Q. And of the total installations made during the period, 98.1 per cent were and are direct connected to the police departments in the various cities where the installations were made?

A. That is correct.

Mr. Conkling: Off the record.

(Discussion off the record.)

Q. Mr. Jackson, as I understand it, referring again, then, [fol. 7677] to Defendants' Exhibit F for identification, the second page, the fourth column from the left, the total of that column indicates that there were 451 sales and installations by your company during the stated period of

what we have called local burglar alarm systems, which are not connected to a police headquarters?

A. That is correct.

Mr. Morrison: Off the record.

(Discussion off the record.)

Mr. Conkling: Strike "sales and" from that question. Now, there still may be something wrong with the end of it.

A. This is a new answer. That is not correct, Mr. Conkling. There were 451 burglar alarms installed, 292 of which were connected to police headquarters through a police alarm system which was sold in combination with the local burglar alarm.

Mr. McGovern: Local burglar alarm?

The Witness: Yes.

Mr. Morrison: All right.

Q. Let me ask you what I think is the same question another way, just to be perfectly sure I understand it. Looking at the total number of installations made during the stated period, which I understand to be 1,239 total installations made——

[fol. 7678] A. That is correct.

Q. —how many of those installations are not connected to a police board?

A. 20.

Mr. McGovern: Not from 1,239.

Mr. Morrison: Off the record.

(Discussion off the record.)

A. The answer should be 159.

Mr. Morrison: Off the record.

(Discussion off the record.)

A. Now here is a firm answer. 179.

Q. And of that 179, 20, as I understand it, are connected to a responsive signaling arrangement of some kind other than a police board, is that correct?

A. Yes, sir, and that receiving location transmits the signal to the police.

Q. These are the people whom you have generally de-

scribed as being telephone answering services or local merchants whom you have mentioned, is that correct?

A. That is correct.

A. Can you tell me, Mr. Jackson, what percentage of the $4,000,000.00 sales figure, sales revenue figure indicated in Item 6 of the top sheet of Exhibit F for identification, represents revenue from installations which are certificated, [fol. 7679] as distinguished from non-certificated?

A. No, sir, I cannot give you that figure, because I do not know the figure.

Mr. Conkling: Mr. Crawford, can you help me with that?

Mr. Crawford: No, sir.

Q. Well, I believe you testified earlier that your best estimate is that approximately 90 per cent of your burglar alarm installations are certificated and about 95 per cent of your holdup or police alarm installations are non-certificated?

A. That is correct.

Q. So that are we able, by applying those percentages to the indicated number of installations——

A. You would get a——

Q. —translated into dollars——

A. You would get a close approximation.

Mr. McGovern: Off the record.

(Discussion off the record.)

Q. Mr. Jackson, can you tell me whether the normal and ordinary holdup alarm installation or police alarm installation which your company makes costs more than the normal and ordinary burglar alarm installation?

A. If you are taking an average installation, a burglar alarm is more expensive than a police alarm.

[fols. 7680-7682] Q. Is it possible to talk about an average installation, or is everyone different and tailor made to the premises?

A. Each is tailor made to the premises. Some bankers will want 30 holdup stations, 30 buttons. Others do not want officers able to turn in alarms. They do not want girl tellers to have alarms, because they are afraid they will fuss with them and turn in false alarms. Each system is tailor made to that bank's requirements.

Q. When you make a bid on any given job, how, generally, do you go about it? Do you inspect the premises and count units and apply a formula of some kind and come up with a price?

A. We count the number of holdup stations after a conference with bank officials, we count the feet of wire to our control box, we count the number of annunciator drops that are required, and, of course, we survey the police headquarters dispatch room to find out exactly what equipment is needed there. I believe you could lump all of this into saying that we, by agreement, reach specific specifications applicable to that installation. We then turn this information over to our estimating department, who quote a price.

. . . . . .

[fol. 7683] Q. Mr. Jackson, do you know whether there are police departments through our country which will permit a bank to be directly connected, that is, an alarm system from a bank to be direct connected to the police department, but will not permit others than banks to do so?

A. Not to my knowledge.

Q. Well, has your company made any installations, let's say, in a jewelry store? I think you mentioned this morning some jewelry stores; not by name, but that you do make installations in jewelry stores. Are they [fols. 7684-7686] direct connected to any police department?

A. Yes. There are two in St. Paul that I know of.

Q. Well, would you think about it the other way? Can you think of any city where one of your bank installations has been permitted to connect to a police department, whereas some other type of protected premise than a bank is not permitted to?

A. No, not to my knowledge. We also have Burr-Patterson & Auld, a manufacturing jeweler in Detroit, connecting through one of those alarm companies that uses our equipment. I do not know whether that is Certified Alarm or whether it is Automatic, but I am sure that we have—what was. It is now part of Balfour, I believe, but I am sure that they connect in Detroit. Again, I am searching my memory on this subject, Mr. Conkling.

Q. Go ahead, sir.

A. Libby-Owens-Corning Platinum Extrusion Plant in

Cincinnati is connected into Cincinnati police headquarters. I think it is actually in Norwood, but it is connected in there.

• • • • • • •

[fols. 7687-7688] Q. You know of no instances where you are now providing an installation which formerly had central station service?

A. Of course I do. Denver, yes.

• • • • • • •

Q. Do you or have your sales people generally, in their day to day efforts to sell your alarm systems, compete with persons, firms or corporations which offer only local burglar alarm systems?

A. Yes. We compete daily with the Mosler Safe Company and with Peco on a nationwide rural basis.

• • • • • • •

[fol. 7689] Q. Now, sir, I show you this Defendants' Exhibit E for identification, the Diebold brochure, and note that it says at the top right of the cover page, "Your best defense against the sneak attack of a burglar," and so forth. Is that correct?

A. When balanced with physical protection, yes.

Q. Is it superior, in your opinion, and based upon your experience, to central station service?

[fol. 7690] A. In our opinion, it is the same as central station service.

Q. You would not concede that central station service is superior to the Diebold type service?

A. We would not.

Q. Would you claim or do you urge to customers or potential customers that your form of service is superior to central station service?

A. Yes, sir.

Q. And have you so urged to customers, let us say, of the A.D.T. Company from time to time in an effort to persuade them to change from central station service to your form of service?

A. Not so much to customers, Mr. Conkling, no. We run up against a blank wall, for the reason that in cases

where central stations are established, in all of those cases except those cases as shown on Exhibit C, we would not be able to furnish equipment that the customer could get into a law enforcement agency direct, for the reason that the law enforcement agency has established a policy that they will receive calls through A.D.T.'s central station service only.

Q. Yes. You said something to that effect about Los Angeles yesterday. Now, what is the situation in Detroit? Isn't it exactly the opposite?

[fol. 7691] A. Well, the situation in Detroit, as indicated on Exhibit C, is that we are going through Certified Alarm Company and Automatic Alarm Company. I believe that the Detroit Police Department receives signals from four central station alarm companies in Detroit. They receive none on a direct basis. A.D.T. is one of those four, Automatic and Certified are two more, and I have forgotten the fourth company, Mr. Conkling, but I believe I am correct in telling you that there is a fourth central station company in Detroit.

Q. Right. Now, how about Denver?

A. There are three—I believe this to be correct—central station companies in Denver; A.D.T.——

Q. No, that is not my question, Mr. Jackson. My question is, doesn't Diebold have a direct connection to police headquarters in Denver?

A. Yes.

Q. How about Akron?

A. We do have in Akron.

Q. Tell me the cities in which you do have.

Mr. Morrison: I object to that. We have this on the document, don't we, Exhibit C?

The Witness: Yes.

Q. These are the cities mentioned on Exhibit C?

A. On Exhibit C. The cities mentioned on Exhibit C are [fol. 7692] the cities in which we have direct connections to police headquarters.

Mr. McGovern: To clarify that answer, you do not have, apparently, Mr. Jackson, direct connections to all of the cities listed on Exhibit C, but only those indicated.

The Witness: That is correct.

Q. At any rate, where your company sells its services, as indicated in the exhibits and the transcript of yesterday's testimony, what you are selling and offering to sell is a product and a service, is that true?

Mr. Morrison: I object.

Q. Is that true?

A. Yes, I would say it is.

Q. And that product and service, in your opinion and judgment, and based upon your experience, is substitutable for an interchangeable with central station service, is that true?

A. No, it is not, in our opinion, because we hold with the theory that a direct notification to police headquarters is a better method of accomplishing this result than going through a third party.

Q. Well, then, so that we understand each other, what you are saying to me is that what you offer is not interchangeable with or substitutable for central station [fol. 7693] service because it is superior to it, in your opinion?

A. We believe that to be true.

* * * * * * *

[fol. 7694] Q. Now, we talked about additional service charges, and it is not clear to me at the moment whether we have it on the record sufficiently, and this is what I want to do. It is clear, is it not, that during those years '59 [fol. 7695] through '62 your company received a substantial amount of service charges in addition to the amount shown on Exhibit F, but which relate not to the new installations made during those stated years?

A. Yes, sir.

Q. Can that amount of service charge be expressed in any kind of figure at all or by reference to a percentage of the figures shown? I mean, is it double or triple or quadruple or what?

A. I do not know. I would have to pull that figure, Mr. Conkling, before I could answer that question with any intelligence whatsoever.

Q. Are the service fees computed on a basis which allows a profit factor?

A. Yes, sir.

Q. Has this business, over the last ten years—I am talking about the alarm side of the business—been profitable?

A. Yes, sir.

Q. Has the profit over the last five years been increasing or decreasing in a general way, a trend, if any?

Mr. McGovern: The question being limited specifically to alarm systems?

Mr. Conkling: Alarm system business only. I do not care about——

[fols. 7696-7697] A. That is what I am trying to sort out in my mind. I would say that our percentage of profit over the past five years has remained constant.

* * * * * * *

[fol. 7698] Q. Now, Mr. Jackson, I refer now to Defendants' Exhibit B for identification, the Diebold Maintenance and Inspection Service Contract. I believe you told me yesterday that the usual or ordinary standard term of that contract with a subscriber is three years?

[fol. 7699] A. Yes. That is general.

Q. Generally?

A. Generally, yes.

Q. Is the contract term at times longer?

A. Yes, it is. In those cases where we show a profitable—I should interject here that this statement refers to large branch bank organizations, the specific exception which I shall describe. We allow these contracts to go on year by year, except in those cases where we show losses on service. This could be occasioned by poor branch administration, many false alarms turned in by careless personnel, causing us to send our service people out to check what caused the false alarm. On an experience basis, we check these once every three years and request raises where indicated at the third year, based specifically on our experience with that customer.

Q. When you say you compare these, I take it what you mean is you look at the experience——

A. Compare our cost.

Q. —over the initial term of the contract and see where you stand at that point on analysis?

A. We cost each call. We post those costs to that customer's record card. We know at the end of any—well, we know right now, theoretically, exactly what we have spent.

[fols. 7700-7701] Q. On any given account?

A. Correct.

Q. Initially, that is, the initial service contract which your company makes with a given subscriber, is that based upon a flat rate charge of some kind?

A. It is based on a minimum charge, and it is increased, depending upon that particular installation.

Q. And the number of units installed?

A. The number of holdup buttons, the number of sound wave receivers, the number of supervised circuits, depending upon the size of the vault to those sound wave receivers, the number of foot rails, and, above all, the number of locations, because once we travel a man to a locality in which there are many branches of a bank, obviously our overall cost is much lower than servicing 50 country banks, where he travels an average of 40 miles between service calls.

Q. The man's time is a substantial factor in the——

A. It is the big factor at these labor rates today. It is the big factor.

* * * * * * *

[fol. 7702] Q. Right. Now, you told me yesterday that the alarm installations which your company makes enjoy, I think is the word you used, a 65 per cent insurance credit. Am I right on that?

A. That is correct.

Q. These credits, so far as banks are concerned, relate to the amount of excess insurance over whatever that particular bank's blanket bond may be, is that correct?

A. Yes, sir, that is correct.

* * * * * * *

[fol. 7703] Q. Now, sir, at one point yesterday afternoon I asked you whether over the last ten years your company competes with the A. D. T. Company, and I believe your answer was divided into two parts. You referred to rural areas, and you said, "No," and then you referred to other

than rural areas and said, "No," and I want to be sure that that is what you intended to say.

A. I believe I corrected that answer.

Q. Would you make it perfectly clear for me now?

A. Yes. We do compete with A.D.T. where he have direct connections to police headquarters, as shown on Exhibit C. We do not compete with A.D.T. in cities other than those listed on Exhibit C, for the reason that police headquarters will not accept a direct connection from [fol. 7704] the user's premises to their dispatch room.

* * * * * * *

Q. What about the loud ringing gong or siren outside premises protected by purely local alarm type service?

A. On occasions where a loud sounding gong has sounded during a holdup attempt, panic has resulted, and panic leads to shooting. We recommend that no loud sounding gong ever be sounded during a holdup attempt.

Q. How about in an effort to protect premises against burglarious entry in connection with the use of a loud sounding bell and a local alarm system only?

A. We believe it to be a most effective deterrent.

Q. As you state in the brochure, which is Defendant's Exhibit E?

A. Which is Defendant's Exhibit E.

Q. Where you say at the bottom of the second page, "Historically, burglars have not been able to successfully [fol. 7705] continue working with the loud warning gong broadcasting their presence to the outside world"?

A. We also say on Page 1, "No vault protected by a Diebold-McClintock Grade A burglar alarm has ever been successfully attacked." This is a statement of Underwriters Laboratories, who check our systems at least once each year, and this is a historical fact.

* * * * * * *

Cross-Examination of Alfred Wayne Jackson.

By Mr. Morrison:

• • • • • • •

[fol. 7706] Q. Now, would you very briefly explain the [fols. 7707-7710] construction or the design of a Diebold vault door?

A. A Diebold vault door is built of various types of steel, copper, and ceramics. These metals and other materials are put together in such a way as to give maximum protection against entry by torch, by drill, and by explosive attack.

Q. You say they would be relatively torch resistant, drill resistant, and so forth?

A. Yes.

Q. Apart from alarm protected Deibold vaults, to your knowledge has anyone made a successful attack through the door of a Diebold vault?

A. Yes.

Q. On how many occasions has that occurred?

A. On about three occasions within my memory.

Q. And that is how long?

A. 38 years.

Q. I believe you stated yesterday that 99 per cent, I want to get that figure, 99 per cent, is that correct, of the losses of your protected vaults or banks stem from daylight robberies?

A. That is correct. That is an approximate figure, but it is substantially correct.

• • • • • • •

[fol. 7711] Q. I think Mr. Conkling might have covered this yesterday, but it is not quite clear in my mind. How many alarm salesmen does Diebold have throughout the country?

A. Roughly 100 who are franchised to sell alarms. Many of those men, unfortunately, are located in areas where we make no alarm sales efforts.

[fol. 7712] Mr. McGovern: Just to clarify the record, Mr.

Morrison, may I ask Mr. Jackson if those so-called 100 salesmen sell only Diebold alarms?

The Witness: They sell all of our bank equipment products.

• • • • • • •

[fol. 7713] Q. Do you have a salesman in New York City?

A. We have 12 salesmen in New York City.

Q. Do they solicit the sale of local vault alarms?

A. I doubt it. Although he is franchised to sell them, I do not believe they make much of an effort in this direction.

Q. Why?

A. Experience has taught them that New York solicitations will result in no sales, for the reason that we cannot [fol. 7714] offer a direct connect to law enforcement agencies.

Mr. Conkling: Experience has taught whom? Who are you talking about?

The Witness: Salesmen.

Mr. Conkling: Has this happened to you?

The Witness: Only on one occasion, and that was in my conversation that I described to you yesterday, Mr. Conkling, with Mr. Van Dorn.

Q. You stated you have 12 salesmen in New York City?

A. That is correct.

Q. How many servicemen do you have in New York City?

A. 48.

Q. Could you estimate—I realize this will be difficult to do—what per cent of their time do these 12 salesmen and 48 servicemen devote to the alarm business?

A. None.

• • • • • • •

[fol. 7715] Q. Mr. Jackson, I believe you testified that your company does in some areas provide alarm service where A.D.T. also provides bank alarm service, am I correct?

A. Yes, sir.

Q. To your knowledge, what type of alarm service does

the American District Telegraph Company generally propose to install in a bank?

Mr. Conkling: I object to the form of the question.

Q. You may answer.

A. Leased Grade A Underwriters Approved alarm equipment, with signals terminating in their central station.

Q. To your knowledge, has the A.D.T. Company proposed [fol. 7716] the installation of a purely local bank alarm?

Mr. Conkling: I object to the form of the question. Mr. Morrison, when you say, "To your knowledge," are you asking him does he know?

Mr. Morrison: That is right.

Mr. Conkling: All right.

A. I know of three instances in Florida where proposals were made by their representative, Mr. Lester Blood; one to a bank in Homestead, two to banks in Delray, which were purely local alarm systems. Those are the only instances, to my direct knowledge, that I know of. We received copies of those proposals, and that was the source of my information.

Mr. Conkling: Would you fix the time and date, please.

The Witness: That was in 1960.

• • • • • • •

[fol. 7717] Q. You stated that A.D.T. provides approved central station protection or bids approved central station protection in these areas in which you also operate, was that your testimony?

A. Yes, sir.

Q. And I take it, then, by that you mean they are certificated central station——

• • • • • • •

A. I have never seen, Mr. Morrison, an A.D.T. certificate held by a banker. However, the source of all such information is the burglary insurance manual, which is [fol. 7718] used by the insurance fraternity as well as all people who sell alarm equipment. In every instance A.D.T. has listed, as an approved system, an approved central

station system. They are, thereby, entitled to issue certificates which would allow their users a 65 per cent discount in insurance rates.

* * * * * * *

Q. Does the Diebold Company provide a service whereby the rounds of a watchman are electrically supervised?

A. We do not.

Q. Does the Diebold Company offer a service whereby openings and closings of, say, the outside door of the bank [fol. 7719] are electronically supervised and monitored?

A. No, sir, we do not.

Q. Does the Diebold Company provide any type of fire alarm protection?

A. No, sir, we do not.

Q. Do you know whether insurance companies grant additional discounts over and above the 65 per cent upon the installation of watchman tour systems?

A. I believe that the watchman's discount is computed in addition to the 65 per cent wherever a bank maintains approved watchmen's service.

Q. Approved——

A. Watchmen's service which is monitored by an approved central station.

Mr. Conkling: I move to strike all after "believe."

Q. Mr. Jackson, I believe you testified this morning your sales force engages in the solicitation and sale of vault doors and alarm systems, is that not correct?

A. Yes, sir.

Q. Of the alarm systems that your company sells, could you tell us approximately how many are sold in conjunction with the sale or installation of a vault door?

A. Almost all our sales are made in conjunction with the sale of other equipment. The exception would be police [fol. 7720] alarms.

Q. Yes. My question is limited to vault doors. Do vault door specifications, if they have specifications, generally include an alarm system?

A. The vault door specifications, as written by architects, in almost every case require that the vault door be prepared to receive an alarm system. By that I mean we must

drill our door according to the specifications to receive such items as rate-of-rise indicators, opening and closing male and female switches, direct contacts to our drive tumblers and combination dials, in order that an alarm may readily be attached at these locations.

Q. In the past 12 months, how many vault doors have you sold that did not have a Diebold alarm installed?

A. I do not know.

Q. Do you know whether or not Diebold alarms protect the majority of the vaults sold by your company each year?

Mr. McGovern: May we have that question amended, Mr. Morrison, to read, "vault doors sold by your company"?

Mr. Morrison: What did I say, "vaults"?

Mr. Conkling: Diebold does not sell vaults.

[fols. 7721-7723] Mr. Morrison: I am sorry. I meant vault doors.

A. This is a sheer guess. I do not know.

Q. Okay. What other companies, Mr. Jackson, engage in the sale of vault doors and vault alarms?

A. The Mosler Safe Company, the Protection Equipment Company, the LeFebure Corporation, are the other companies engaged in the sale of alarms as well as vault equipment.

Q. Are there companies that you would consider to specialize in local vault alarms, other than the three you mentioned, who also sell vault doors?

A. No, sir.

Q. Does the Federal Alarm Division of Herman install local bank alarms?

A. Yes. However, they are a wholly owned Mosler subsidiary. Therefore, I consider them to be a part of the Mosler Safe Company.

* * * * * * *

[fol. 7724] Q. Mr. Jackson, I wonder if it would be possible to determine for the year 1962 the number of Diebold alarm systems that were installed that were not accompanied by a service contract?

A. Well, Mr. Morrison, all of them would have free service. They would be protected by this piece of paper free for the first year.

Q. This is a warranty, I take it?

A. Yes, that is a warranty. So, actually, our '62 installations would not be a good gauge, because we would have issued these in each case when we installed the new system, and they would last for a year.

Q. Is not your Maintenance Contract generally a three-year contract?

A. Yes. It renews itself. If you will read Page 3, it renews itself automatically. However, we re-examine at the end of three years.

Q. But the initial term of the contract is three years?

A. No, the initial—yes, sir.

Q. When you sell an alarm system to a bank, do you enter into this Maintenance and Service Contract at the time of the sale?

A. Seldom. Almost always we enter into this contract at [fols. 7725-7726] the time of the installation. The man who does the installing, it is his duty to explain this service to the banker, explain to him the basis upon which we will certificate his alarm, how he is to use his certificate, and attempt to get his signature on this contract at that time.

Q. So then if he plans to enter a service contract, he does it at the time the alarm system is installed?

A. That is correct.

Q. Now, my previous question I will ask again. Is it possible to determine for the year 1962 the number of new installations made by Diebold in which a customer signs your Maintenance and Inspection Contract?

A. I would presume that the work papers which support Exhibit F would show that information. I do not have it at the tip of my tongue, but I am sure that they do.

* * * * * * *

[fol. 7727] Q. I believe you stated yesterday that in Denver former central station subscribers had switched to Diebold protection, is that true?

A. That is correct.

Q. How many accounts were involved in Denver?

A. At the time of the switch seven banks petitioned City Council for the privilege of connecting direct from their banks to police dispatch headquarters.

Q. These seven banks were at the time of the petition protected by central station protection?

A. I do not know.

Q. Can you recall any instances where you do know of a bank that received central station protection and switched to Diebold?

A. I know that some of the Denver banks had been connected to a central station. I just do not recall which ones [fol. 7728] they were, and I do not recall how many there were.

Q. You would be unable to state the name of the bank or the number of banks that did?

A. That is correct. But I know that there were some of those petitioning banks.

Q. Do you know whether any of those banks, which remain nameless, were receiving approved, certificated central station protection, or could it have been unapproved central station protection?

Mr. Conkling: I object to the form of the question. If he knows. But do not ask him "Could it."

Mr. Morrison: I asked him if he knew.

Mr. Conkling: But not if it could have been. You are not asking for possibilities.

A. I do not know.

Q. I believe you also stated yesterday that Diebold accounts have switched to central station protection, is that correct?

A. Yes, sir.

Q. Can you state the number of instances in which that has occurred in the past five years?

A. No, I cannot. I can tell you that fresh in my mind, of course, is the Los Angeles switch which I testified about earlier.

[fol. 7729] Q. Has this occurred in any other instances?

A. I do not know. I am sure it has, but I cannot be specific.

Q. You are sure it has, but——

A. I cannot be specific, so therefore I will say I do not know.

* * * * * * *

Q. Referring to Defendants' Exhibit F, in the year 1962, 97.2 per cent of Diebold's alarm installations were made in banks, is that correct?

A. Yes, sir.

Q. From your experience in the alarm industry, does bank protection differ from mercantile protection?

A. Yes, sir.

Q. Does the Diebold plant here in Canton, Ohio, have an intrusion alarm, a burglar alarm, installed?

A. Only in the area surrounding our Research Depart-
[fol. 7730] ment. It is a homemade system.

Q. Does the Diebold plant here in Canton supervise its watchmen with any electronic devices?

A. Yes, sir.

Q. Is this service provided by a central station company?

A. Yes, sir.

Q. Does the sale of vault doors and bank equipment account for the majority of the Diebold Company's sales or revenue?

A. No.

Q. Does general office equipment?

A. No.

Q. Then you have no one product line that makes up over 50 per cent of your gross sales?

A. That is correct.

Q. Of the various product lines handled by Diebold, which provides the greatest amount of revenue?

A. By "greatest amount of revenue," I presume you mean gross profit?

Q. Gross profit. Gross sales.

Mr. McGovern: Well, which are you talking about now, Mr. Morrison?

Mr. Morrison: Gross sales.

Mr. McGovern: Gross sales and not gross profit?

[fol. 7731] Mr. Morrison: That is right.

A. Bank Equipment sales and Office Equipment Division sales are about equal. One year it might be Bank Equipment ahead a percentage point or two, the following year it could reverse itself. In fact, it has. So that I would say that I would have to answer that they are about equal.

Q. Does the sale and service of alarm systems provide a

substantial amount of revenue, as compared to the other product lines?

A. Would you give me percentage-wise the meaning of "substantial"? And I am not trying to avoid you.

Q. Do alarm systems provide more than 25 per cent of Diebold's gross sales?

A. No, sir.

Q. Would the sale and service of Diebold vault alarms and holdup alarms alone support your present sales and service force?

A. No, sir.

Mr. Conkling: You mean the whole company's service and sales force, including the Office Equipment Division?

Mr. Morrison: The number of salesmen, I take it, was 94, and the number of servicemen was 250.

[fols. 7732-7733] Mr. Conkling: But that does not include the Office Equipment Division people.

Mr. Morrison: That is true. My question was, would the sales and service of alarm systems alone support these 94 salesmen and 250 servicemen?

The Witness: No, sir.

Q. I believe you stated yesterday that Diebold does not manufacture the bells used in the local vault alarm.

A. That is correct.

Q. Also does not manufacture the conduit?

A. Correct.

Q. Do you manufacture the rate-of-rise device used in the——

A. No, sir, we do not. We buy a commercially approved rate-of-rise indicator.

Q. Do you manufacture the sound detection device?

A. No, sir, we do not.

* * * * * * *

[fols. 7734-7735] Redirect Examination of Alfred Wayne Jackson.

By Mr. Conkling:

* * * * * * *

[fol. 7736] Q. Now, sir, you testified on cross-examination that an A.D.T. representative named Mr. Lester Blood in Florida——

A. Yes, sir.

Q. —was the source of some information to you concerning the proposal of purely local alarm protection to three banks in Florida?

A. Yes, sir.

[fol. 7737] Q. And you had received copies of the A.D.T. proposals?

A. That is correct.

Q. Where are those proposals now? Are they handy?

A. I would have no idea.

Q. Can you fix the time that you are talking about?

A. It was during 1960 or '61.

Q. The proposals were what, as you recall?

A. For outright sale to those banks, rather than what we have always thought of A.D.T. as, leasing. It is the only instance that I know of that A.D.T. has offered to sell on an outright basis. That is why these three—well, it is one of the reasons. The other is that Lester Blood was formerly employed by our company. He resigned for health reasons, went to Florida, and that gave us a little more interest than we might normally have had in these three proposals.

Q. Mr. Blood was formerly employed by the Diebold Company and later by the A.D.T. Company in Florida?

A. Yes, sir.

Q. Is he there now, do you know?

A. To the best of my knowledge, he is still working for American District Telegraph, headquartering in Miami.

Q. How did it come to pass that he sent to you copies of A.D.T. proposals?

A. He did not send them.

[fol. 7738] Q. Oh, he did not. You received them, but not from him?

A. We received them personally from Mr. Sotille.

Q. Who is he?

A. He owned the Sotille chain of banks, which were headquartered in Miami. He at one time owned at least 50 per cent of the stock of 12 Florida banks.

Q. How did Mr. Sotille happen to send those purported A.D.T. proposals to the Diebold Company?

A. They were handed to our representative, Mr. Henry Ditmas, when Mr. Henry Ditmas negotiated with Mr. Sotille for alarm equipment, not only for these three banks, but for, I believe, five banks at one time.

Q. Let me see if I can get this chain, now. Mr. Ditmas reported to you or sent to you three written proposals of some kind that Mr. Sotille told Mr. Ditmas he, Mr. Sotille, had received from Mr. Blood?

A. Yes, that is correct.

* * * * * * *

[fol. 7739] Q. Have you ever had a report from a salesman that he did not get a particular job, that A.D.T. got it?

A. Yes.

Q. Does that happen daily or weekly or monthly?

A. Well, that happens with great regularity.

Q. Have you ever received a report from a salesman that he got a job and A.D.T. did not, when he knew they were bidding on the same job?

Mr. Morrison: I object to the question.

A. Yes.

* * * * * * *

[fols. 7740-7741] Q. Who is regarded by your company as its most substantial competitor in the sale of alarm systems?

A. The American District Telegraph Company.

* * * * * * *

[fol. 7742] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W25a

IN THE UNITED STATES DISTRICT COURT, DISTRICT OF RHODE ISLAND

Civil Action No. 2785

August 27, 1963

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, et al, Defendants

Deposition of R. STAFFORD EDWARDS.

* * * * * * *

[fol. 7743] . . . Deposition of R. STAFFORD EDWARDS, witness of lawful age, taken on behalf of Defendants, American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware in the above-entitled cause, wherein United States of America is Plaintiff and Grinnell Corporation, et el are Defendants, pending in the United States District Court, District of Rhode Island, pursuant to notice, before Evelyn Post Lyman, a Notary Public, in and for the State of Connecticut, County of Fairfield, at the offices of Edwards Company, 90 Connecticut Avenue, Norwalk, Connecticut, on Tuesday, August 26, 1963 at 10:00 AM, at which time counsel appeared as hereinbefore set forth, and John L. Taylor, Executive Vice-President of the Edwards Company was also present . . .

It Was Stipulated and Agreed by and between counsel that all objections except as to the form of the question shall be reserved to the time of the trial;

It Was Further Stipulated and Agreed that the deposition may be signed before any Notary Public.

R. Stafford Edwards, a witness called on behalf of the Defendants above noted, being of lawful age, being first duly sworn in the above cause testified on his oath as follows:

[fol. 7744] Direct examination.

By Mr. Williams:

Q. Mr. Edwards, could I have your full name and address for the record, please?

A. Robert Stafford Edwards, Casey Key, C-A-S-E-Y K-E-Y, Florida.

Q. Mr. Edwards, are you an officer of the Edwards Company?

A. President and Chairman of the Board.

Q. How long have you been associated with the Company?

A. Approximately, let me see, for forty-five years.

Q. And where is the Edwards Company located?

A. Norwalk, Connecticut.

Q. What is the business of the Edwards Company?

A. Well, we define it as signaling, communication and protection for all types of buildings.

Q. Is this company a manufacturer of complete systems?

A. Yes.

Q. How long, approximately, has it been in this type of business?

A. Seventy-five years of the ninety-four years, let's say.

Q. What type of—strike that. The Company manufactures equipment, you say, that serves as part of protective systems for buildings?

A. That's right.

Q. What are the hazards that these systems are designed [fol. 7745] to protect against?

A. Oh, fire, intrusion, and, well, any condition such as a hot bearing or a hot transformer; in other words, it doesn't necessarily have to be a fire itself.

Q. In other words, these systems are sensitive to increases in temperature——

A. That's right.

Q. —on the premises?

A. That's right.

Q. Does the company manufacture any type of system that serves to supervise automatic sprinkler systems?

A. Not per se, no. We don't market it as that type of system. In other words, it is used that way in combination with a fire alarm system.

Q. The Company manufactures, however, devices that are capable of being utilized to supervise sprinkler systems?

A. Yes.

Q. In connection with these types of devices, do you make devices that are commonly known as water flow switches?

A. No.

Q. Do you make devices that are used to supervise valves on sprinkler systems?

A. No.

Q. What type of devices does the Company make that can be utilized in connection with sprinkler systems?

[fol. 7746] A. Well, all of the other relays and controls and panels, and of course fire alarm stations, thermostats, smoke detectors; and then if the system that is specified incorporates water flow and sprinkler into the total system, then we would purchase those particular devices and ship them with the rest of our equipment——

Q. And they would be incorporated?

A. For installation, yes.

Q. Does the Company manufacture what is commonly known as automatic fire alarm systems, that is, systems that will operate without human intervention?

A. Yes.

Q. On what principle are these systems based?

A. Well, rate of rise; in other words, by metallic type of thermostat. And then we have the right of purchase of another type of detector, which is based on the change of the contents of the air. Those are the two types.

Q. A type that senses combustion products in the air?

A. That's right.

Q. You also manufacture smoke detection systems as such?

A. Well, there again we will purchase the unit under contract—this happens to be a patented unit. One is pat-

ented, I think, in Switzerland, and I forget where the other is.

Q. And this is incorporated into the complete system that is manufactured by your company?

A. That's right.

[fol. 7747] Q. You mentioned a moment ago something about coded mechanisms. Does your Company manufacture coded transmitters or relays?

A. Yes.

Q. What are these designed to do, sir?

A. Well, they are designed, by use of a code signal, to show the location of either an automatic device or a hand operated station.

Q. And are they commonly used in the type of system where this information is transmitted to a point off the premises where the alarm system is installed?

A. Sometimes, yes; sometimes, no. It all depends on what the specifications are and what they want.

Q. But your company has supplied systems which can transmit——

A. That's right.

Q. —this coded information to a point off the premises?

A. That's right.

Q. Such as to a fire department?

A. That's right.

Q. You mentioned also a moment ago the Company produces equipment designed to protect against intrusion.

A. Yes.

Q. What type of equipment is that, generally?

A. Well, generally it is the contact-making devices which are installed on door and windows or entrances, and then the central station control panel to which they may be connected.

Q. Can these devices, which your Company manufac-[fol. 7748] tures, also be used to transmit this information off the premises?

A. They can be. We don't sell them on that basis. But if I may interpolate here so as to make it clear to you, our method of distribution is that we sell to a wholesale distributor, who sells to an electrical contractor, who installs what an industrial or a building owner wants. The

electrical contractor can collect these devices and coordinate them and put them together to do anything.

Q. Approximately how many distributors do you have throughout the United States?

A. A thousand.

Q. And these distributors in turn sell to electrical contractors?

A. And industrials and railroads and——

Q. In other words, they may also sell directly to the end user of your product?

A. Yes.

Mr. Morrison: Excuse me, I wonder if we can get a definition of "distributor."

Mr. Williams: All right, sure.

Q. Would you tell us what you mean by one of your distributors?

A. Yes. You shouldn't confuse our terminology of "distributor" with "agent." We have our own sales force, and in some districts, we have manufacturers' representatives [fol. 7749] as agents. But the distributor is the type of company who stocks the materials, sells them, carries the credit risks of the people beyond them in the distribution chain. And I will give you such examples as Graybar, who is a national distributor; General Electric Supply Corporation; Westinghouse Electric Supply Corporation; and, in addition, in every city, there are independents. That is the best definition I can give you.

Q. All right. Now, would you describe to us what you meant a moment ago by your manufacturers' representatives, and what function they play?

A. The manufacturers' representative is used by us in territories where the volume is not sufficient to support our own salesmen. And he, as a representative, will handle our line and six, seven, eight other lines. But aside from that, he represents our Company and acts just like one of our own employed salesmen.

Q. Does your Company maintain what might loosely be called its own field officers——

A. Yes.

Q. —throughout the country? And what function do those field officers serve?

A. Well, they do the sales work and the promotion in the whole spectrum of the market. They call on these distributors. They call on the contractors, on industrials, on hospitals, on schools, on architects, on engineers. In other [fol. 7750] words, they sell and promote the line, despite the fact that it is only billed through the distributor.

Q. Do these field officers also provide field engineering assistance to potential customers?

A. Yes.

Q. Would you describe to us just generally how that operates?

A. Well, we divide into three regions: east, central and west. And every one of the three regions will have a resident engineer who assists the salesmen on the more technical aspects of any job or any installation.

Q. Would you provide also assistance to contractors——

A. Oh, yes, and to architects, and to engineers. We provide the technical assistance wherever it is needed.

Q. Would this technical assistance extend to the interpretation of your Company's products on bids?

A. Yes, interpretation of specifications on bids.

Q. And whether your Company's products fall within the specifications?

A. Yes.

Q. At the home office here, does your Company provide any engineering assistance to the various sales representatives that you have in the field?

A. Yes.

Q. Would you describe to us, generally, how that operates?

A. Well, the Engineering Department here is really the [fol. 7751] source of all engineering assistance in the field. The engineers that are located in the field are closer to the job, closer to the customer, but they have recourse always to the engineering department here which has obviously more information, more experience.

Q. Has it happened that on certain jobs that are being bid on in the field, your Engineering Department here receives copies of specifications and assists in laying out and pricing——

A. Yes.

Q. —that type of job?

A. Yes.

Q. Does this happen quite frequently?

A. Oh, yes, regularly.

Q. And does this happen in connection with automatic and manual fire alarm systems?

A. Yes.

Q. Are the automatic and manual fire alarm devices that are manufactured by your Company approved by Underwriters Laboratories?

A. Yes.

Q. Are they approved by the Factory Mutual Engineers Division?

A, Not all of them. Those that require it are.

Q. And are they approved by any other insurance organizations that you know of?

[fol. 7752] A. No.

Q. The intrusion devices that are manufactured by your Company, are they approved by any insurance organization, do you know?

A. No. With the exception of Factory Mutual, on some devices, yes—an alarm device, for example.

Q. Does your Company manufacture devices or systems that can be used to connect an automatic or manual fire alarm system directly to a fire department headquarters by means of leased telephone lines?

A. Well, we supply a system which is designed for connection; but then you say do we supply the connecting link, we don't supply the wire, for example.

Q. But you do supply a system that is capable of being so used?

A. That's right.

Q. Do you supply a system which is capable of being connected into a municipal fire alarm telegraph system?

A. Yes.

Q. And then, I take it, you supply systems that provide solely local enunciation of abnormal conditions?

A. That's right.

Q. Do you manufacture a system that is commonly known as a proprietary type alarm system, in which the information is transmittted to a central point on the [fol. 7753] protected premises, which is generally fully manned?

A. Yes. We supply the local part of the system, and then it is up to the installer, the owner, to connect it if he wants to.

Q. You don't provide the console equipment, the receiving panels?

A. I think there have been—I can recall one occasion only, and that happened to be Lima, Ohio, where we did, yes.

Q. What type of installation was that, sir?

A. Well, that was a central station type of system, operated by—I don't remember who——

Mr. Taylor: If I may interrupt——

Mr. Eginton: May we go off the record?

Q. By use of the words "central station," you mean what we have discussed as being a proprietary system?

The Witness: This happened to be one case, didn't it, Jack?

Mr. Taylor: I don't remember that Lima one. I have three or four others that I would say are proprietary.

A. Well, let me explain this one case, because there are others like it too. Yes, this was a case where it was laid out on a modular basis; and we did, in that case, supply each modular unit which they installed as they connected more schools or more hospitals or more industrials into the central station.

Q. And this was a true central station located off the premises?

[fol. 7754] A. Yes.

Q. Does your Company provide devices that are used to indicate the level of water in a sprinkler system gravity tank?

A. No.

Q. Or the temperature of that water?

A. No.

Q. Do you have devices that are used for the supervision of industrial processes, such as heating equipment?

A. Well, I am not sure that I know what you mean.

Q. For example, a device that is used to sense whether a large refrigeration system is maintaining the proper low temperature?

A. We do not manufacture the device for that, nor do we manufacture the device, for example, which senses whether a bearing is hot on a generator. But we manfacture all the rest of the control systems and alarms to which those devices are connected.

Q. And in the furnishing of such systems, you purchase these sensing devices——

A. That's right.

Q. And incorporate them into the entire system that your Company is furnishing?

A. Well, if it is necessary for us to bid on a job where the sensing device itself has to be furnished, we would purchase it. More usually, the contractor or the installer [fol. 7755] would buy those from the manuufacturer and then combine them with our equipment to make the total system.

Q. And in that case, your equipment would be so arranged so that those devices could be incorporated directly into it?

A. That's right.

Q. Am I correct in assuming that all of these systems that are sold by your Company are generally installed by electrical contractors?

A. Yes, usually.

Q. In some instances, in the case of a very large user, they might be installed by the ultimate purchaser himself?

A. Well, in the very large industrials, they have their own electrical force, yes.

Q. Does your Company have any information as to the type of premises that your systems are generally installed in?

A. Yes.

Q. Could you give us a summary of what has been the Company's experience in that respect?

A. Well, yes. In a broad list: schools, hospitals, industrials, nursing homes, railroads, race tracks——

Q. Airports?

A. Airports.

Q. Piers?

A. Yes.

Q. By "industrials," you mean the usual broad range of [fol. 7756] manufacturing, warehousing——

A. Yes, but also office buildings, colleges, institutions.

Q. It would be virtually a full range of the larger commercial——

A. Any place where——

Mr. Morrison: I object to that question.

Q. You may answer it, if you can.

A. Well, what was the question?

Q. Would you say that your systems are installed in virtually a full range of the larger commercial and institutional buildings in the United States——

A. Yes.

Q. —as to types?

A. Yes.

Q. Are your systems sold throughout the United States, sir?

A. Yes.

Q. And are sales made in relatively all of the larger metropolitan areas?

A. Yes.

Q. Do you have any figures, Mr. Edwards, which would show what the dollar volume of your fire alarm sales were for the past several years?

A. Yes, we have some figures.

Mr. Taylor: May I give them?

The Witness: If you let me have that sheet, Jack——

[fol. 7757] Mr. Wiliams: Off the record.

(Discussion off the record.)

A. (Continuing) Now I can answer your question—$11,000,000.

Q. That would be for the——

Mr. Taylor: 1957 through '62.

A. Yes, 1957 through 1962, inclusive.

Q. And that's a total figure?

A. Yes.

Q. Not an annual figure?

A. Yes, that's a total figure.

Q. Is that $11,000,000 broken down fairly evenly for that

period of years, or has it been an increasing figure in more recent years?

A. Well, the answer to that is that the use of fire alarm equipment has been increasing at a great rate over these years so this has followed that pattern.

Q. It as been an increasing figure as time goes along?

A. That's right.

Q. Does this figure include now all of the types of fire alarm systems that your Company makes?

A. Yes.

Q. That is, the automatics, manuals——

A. All types of fire alarm protective systems.

Q. And this figure is limited to those sales that have [fol. 7758] been made in the United States?

A. Yes.

Q. Do you have any figures, sir, that would show approximately the number of those systems that have been sold by your Company?

A. Yes. The total number: 16,376.

Q. That's for the same period?

A. Yes.

Q. And I take it that the same thing is true as to the number of systems, as to the dollar value, that the number per year has been increasing during the same period?

A. That's true.

Q. Do you have any figures, sir, that would show within this number of fire alarm systems the proportion that might be accounted for by a purely local type system?

A. Yes, 12,946.

Q. What about what we call auxiliary systems?

A. 1,510.

Q. And the remote station type?

A. 830.

Q. And proprietary, as we have defined that term?

A. Yes. 90.

Q. As far as any of these or all of these systems are concerned, do you have any information that would show in what cities they were installed?

[fol. 7759] A. Yes. There may be more than these, but these are the ones that we have been able to, from our records and our recollection, bring up. Do you want me to read this list off or do you want to——

Q. Yes. I think perhaps that would be the best way.

A. New York, Philadelphia, Washington, D. C., Boston, Baltimore, Atlanta, Miami, New Orleans, San Francisco, Chicago, Detroit, Cleveland, Cincinnati, St. Louis, Kansas City, Denver, Los Angeles, Seattle, Honolulu; Juneau, Alaska.

Q. I am correct in assuming, am I not, that these systems are also on an outright sale basis?

A. Yes.

Q. Your Company does not enter into a service contract to maintain the system in any way?

A. No.

Q. Does your company provide—strike that. Does your Company sell spare and replacement parts——

A. Yes.

Q. —for these systems?

A. Yes.

Q. And I take it that these parts are distributed in the same way as the systems themselves, that is, ultimately to electrical contractors?

A. Yes. Except, as a means of reducing costs, we will often sell parts direct to the user of the system rather than [fol. 7760] go through the usual distribution course.

Q. And in that case, the user would be doing his own maintenance on the system?

A. Well, we wouldn't know.

Q. I see. He just purchases the part. You don't know whether——

A. If he has a broken part, instead of going through the usual distribution invoicing and everything, we will tell him, "Send us $2.96, and we will send you that code wheel."

Q. And how it is put into the system, then, is not within the knowledge of the Company?

A. No.

Q. Do you know whether or not the Edwards Company has sold systems, or attempted to sell systems through its distributors to potential users who have also been interested in obtaining some other type of alarm service?

Mr. Morrison: I object to the question.

Q. Can you answer the question, Mr. Edwards?

A. Yes. And the answer is yes.

Q. Do you know whether your Company has sold or offered for sale alarm systems, through your distributors, to persons who are interested also in perhaps obtaining central station alarm service?

A. Yes.

Mr. Morrison: I object to the form of the question.

[fol. 7761] Q. Do you have any specific instances that you can recall where this has happened?

A. Let me check my notes. Off the record.

(Discussion off the record.)

Mr. Williams: Back on the record.

Q. Mr. Edwards, do you know of any instances in which the specifications originally called for installation of a local type system, and it ended up with the installation of a central station type fire alarm system?

A. Yes. We have one case that we know of.

Q. What is that, sir?

A. New York Life Insurance building.

Q. That is located where?

A. New York City.

Q. Did your Company contemplate supplying a fire alarm system for that building?

A. Yes.

Q. Was it a local type system?

A. Yes, specified as a local type system.

Q. Was it a manual or automatic?

A. I wouldn't know. Manual, probably.

Q. And you say that the system ultimately installed in that building was the central station type fire alarm system?

A. Yes.

Q. Approximately when did that take place, sir, do you know?

[fol. 7762] A. Twenty-five years ago.

Q. You mentioned a moment ago, sir, that your Engineering Department here in Norwalk occasionally, at times, receives copies of specifications to enable it to assist in designing and bidding on a fire alarm system.

A. That's right.

Q. Has it ever happened that, after receiving such information, representatives of your Company have been successful in convincing the potential purchaser, who had specified a central station type system, that they should use an Edwards local or auxiliary or direct-connected system?

A. Yes.

Q. Has this happened in recent years?

A. Well, I am going to have to answer that by saying I am sure it has, but here again, because of our method of distribution, it is very difficult to put our finger on where and when.

Q. Do you know whether the installation of fire alarm systems manufactured by your Company entitles the user of those systems to fire insurance premium discounts?

A. As a rule, it does not, but there have been some cases where we know that it has because, here again, this is up to the local rating bureau, and it has happened where they have gotten insurance premiums reductions.

Q. Do you have any information, Mr. Edwards, that [fol. 7763] would enable you to start or estimate how many systems manufactured by your Company are connected to —Strike that whole question. Do you know whether any of your Company systems are connected to any police departments by means of leased telephone lines?

A. Yes.

Q. How many would that be, sir?

The Witness: Off the record.

(Discussion off the record.)

Q. Suppose we go back on the record and you can give that answer.

A. We don't separate the number of systems so as to be able to tell you whether they were connected to the police station or not, so we go back to the proprietary systems which—I mean, the remote station systems—that leased wires to 830.

Q. Where they are connected to——

A. Where they are connected to, we don't know.

Mr. Williams: I don't have any further questions now.

Mr. Morrison: We will take about a two-minute break here.

Mr. Williams: I have just one more question, if you don't mind.

(Recess at 11:00 AM.)

[fol. 7764] Mr. Morrison: You had one more question, Bill?

Mr. Williams: Yes.

By Mr. Williams:

Q. Mr. Edwards, do you have any information or records which would tend to show that, in premises which have similar fire protection problems, some such locations are protected by means of Edwards systems, and others by means of central station systems?

A. Yes. Just a few that we have picked to be illustrative: New York, central station systems at Macy, Bamberger's and Saks; and Edwards' local systems at Arnold Constable's and Korvette's four stores. Central station systems at the Pennsylvania Hotel in New York—now called the Statler—and Edwards' local systems in the Savoy Plaza, the Commodore and the Roosevelt.

* * * * * * *

Cross-examination.

By Mr. Morrison:

Q. Mr. Edwards, would you again explain the method of distribution employed by the Edwards Company?

A. Well, I will go backwards this time and see if that explains it better. We have our own field selling force, which does everything to promote the use of the products [fol. 7765] with everybody who might install or use the products, or specify the products, or be in a position to state a preference for the products. But the actual sale of the products and the billing of the products is to the wholesale electrical distributor.

Q. Such as Graybar?

A. Graybar, General Electric Supply, Westinghouse Electric Supply, and independents.

Q. The three wholesalers that you mentioned, Graybar, G. E. Supply and Westinghouse Supply, could you tell us approximately what percentage of your fire alarm systems are sold through those three wholesalers?

A. Well, the only way I could give you an intelligent guess on that is to say that of our total business, about twenty-five percent goes through the three chains as compared to the independents, and it would be logical to assume that fire alarm products would be the same way.

Q. Has your Company, since 1951, sold any devices or systems, fire alarm devices or systems, directly to a company engaged in providing burglar or fire alarm systems or service?

A. No. Again, to our knowledge. The distributor might, but we would never know it.

Q. But you made no direct sales to an alarm company?

A. That's right.

Q. Has your Company, since 1951, leased any alarm systems to any lessees?

[fol. 7766] A. No.

Q. Has your Company, since 1951, installed any alarm systems?

A. No.

Q. Does your Company manufacture devices or equipment which are sold or otherwise distributed under another trade name?

A. Yes.

Q. Could you state those products?

A. Well, I can state some of them: fire alarm stations, for example——

Q. Pardon me—manual fire alarm?

A. Manual fire alarm stations, we manufacture under contract for Standard Electric Time Company.

Q. Are there any other products?

The Witness: Off the record.

(Discussion off the record.)

A. Well, then I will give you the example of Standard Electric Time as the only one I can think of at the moment.

Q. And these are manual fire alarm boxes?

A. That's right.

Q. Does Standard Electric Time install these manual fire alarm boxes?

A. No. Their method is very much the same as ours. In other words, they eliminate the wholesale distributor and sell direct to the electrical contractor.

[fol. 7767] Q. To your knowledge, since 1951, have any of the devices manufactured by your Company been installed by an operating alarm company?

A. Not to my knowledge, but I would certainly hate to eliminate the fact that they were. Again, because of our method of distribution, we couldn't know.

To your knowledge, have these systems and devices been installed by electrical contractors?

A. Yes.

Q. Would you say they were installed primarily by electrical contractors?

A. Yes, primarily.

Q. I believe you stated on direct examination that your Company employs manufacturers' representatives in those areas which, I believe, you called low volume territories. Is that not correct?

A. Well, I didn't use the word "employ." We don't employ manufacturers' representatives.

Q. But you utilize them in the course of distribution?

A. We utilize them on a commission-on-sales basis, yes.

Q. In what areas do you utilize these manufacturers' representatives?

A. Well, again, I didn't mean to infer that it was a low volume area. We would use them wherever the cost is lower and the amount of business obtained is as great as if [fol. 7768] we had our own direct employee.

Q. These manufacturers' representatives distribute the product in the same manner that your sales force would in other areas, then, is that correct?

A. They sell and promote the sale of the product.

Q. They sell to wholesalers?

A. They don't sell at all. They take the order on behalf of the Company, yes.

Q. On direct examination you stated that the Edwards Company has 12,946 premises that are protected by the Edwards Company with purely local alarms.

A. With local systems, that's right.

Q. Could you state approximately what percentage of these installations are in hospitals and schools?

A. I could only give you my best guess without going back through the records, and I would guess that perhaps fifty percent would be in hospitals and schools.

Q. Would that be true for the 1,510 auxiliary installations?

A. No, I wouldn't think so. Again, without referring to the records, I'd have to guess. I would say that there would probably be far more industrials in the auxiliary classification.

Q. In the remote station classification?

A. In the remote station classification I wouldn't even be able to hazard a guess because there, again, it is so hard for us to trace it.

[fol. 7769] Q. Are these Edwards alarm systems generally sold through a bidding process?

A. No, not according to my understanding of what you mean by a bidding process.

Q. Well, let's take a school, for example. You stated that approximately fifty percent of these local alarms are installed in schools. Now, do the school boards accept bids for the alarm systems?

A. Not from Edwards.

Q. No. That might be true. But from someone?

A. That's right.

Q. I take it, Edwards itself does not submit a bid to the school board, for example?

A. We don't submit bids to anybody.

Q. You have no connection at all with the bidding that would take place, for example, between the consumer and the installer of the system?

A. That's right.

Q. Are these bids presented to the wholesaler?

A. No. Very, very seldom, because they would be in bids to install, and the wholesaler doesn't install.

Q. So then, I take it, the bid is presented by the consumer, let's say——

A. By the electrical contractor.

Q. —to the electrical contractor——

[fol. 7770] A. Well——

Q. —or vice-versa?

A. Yes.

Q. You mentioned that Standard Electric Time distributes their product in a manner similar to yours. Could you state for me the names of other fire protection companies that distribute their products in a manner similar to the Edwards Company?

A. Yes. The names of them: Simplex Time Recorder, S. H. Couch, Wheelock-Auth, Stromberg Time Notifier, Farraday, Minneapolis-Honeywell, Autocall, Acme Fire Alarm, Ellenco. That's all I can think of at the moment.

Q. The companies you mentioned sell outright to wholesalers, who in turn sell to contractors, who in turn sell to the consumer then; is that not correct, or generally speaking?

A. Well, in the list of companies I have given you, they will all have different methods of distribution. Some will distribute as we do. Some will sell the contractor directly and eliminate the wholesaler. Some will sell the user directly and eliminate both the contractor and the wholesaler.

Q. Do any of these companies that you mentioned approve central station fire alarm service?

A. I couldn't answer that question. I don't know. I take it, by that you mean approved as installed, rather than have the product approved?

Q. That's right. You do not know whether any——

[fol. 7771] A. No, I don't.

Q. Mr. Edwards, I believe on direct examination you stated that, in one instance, involving the New York Life Insurance building, your company bid against central station protection, is that correct?

A. Yes.

Q. Can you recall any other specific instance wherein your Company has bid against a company offering central station protection?

A. I can't personally recall it, no.

Q. On direct examination, you listed several cities wherein Edwards alarm systems have been installed. Does this list include all types of installations, proprietary, local and remote stations?

A. Yes. Again, qualified by the fact that in so many

cases we don't know what the ultimate use is, but it includes the list of those that we know about.

Q. So then you do have remote station installations in Chicago?

A. Well now, what do you mean by "remote station"? Again——

Q. Alarm system connected directly to the Fire Department by leased wires.

A. I have to check these so I can be sure which the list was an answer to. Off the record.

(Discussion off the record.)

[fol. 7772] A. (Continuing) Yes.

Q. How many such installations do you have, or are there?

A. I couldn't answer that.

Q. Do you know whether or not these systems are installed in commercial establishments?

A. I couldn't answer that. But again, by "commercial establishment," what——

Q. As opposed to institutions, for example.

A. Well, I know that some of them are installed in industrial plants. Is that what you call a commercial establishment?

Q. Can you give me a specific example of a remote station installation in the City of Chicago——

A. I can't, no.

Q. —to an industrial plant?

A. I can't, no.

The Witness: Can you think of one, Jack?

Mr. Taylor: No.

Q. Can you state for any of the cities the name and address of any industrial establishments wherein an Edwards remote station alarm system is installed?

A. I will have to consult my expert off the record.

(Discussion off the record.)

A. (Continuing) Yes. The public schools in Winnetka, Illinois.

[fol. 7773] Q. Excuse me now. Let's confine this to industrial establishments in the City of Chicago, first of all.

A. No is the answer.
Q. That is, there are no industrial establishments wherein an Edwards remote station alarm system is installed?
A. None that I know of.
Q. Are there any such installations that you know of in the District of Columbia?
A. No—that I know of.
Q. In Atlanta, Georgia?
A. Not that I know of.
Q. Miami, Florida?
A. Not that I know of.
Q. New Orleans?
A. Same answer.
Q. San Francisco?
A. Same answer.
Q. Honolulu?
A. Same answer.
Q. Chicago?
A. Same answer.
Q. Detroit?
A. And the same answer.
Q. Cleveland?
A. And the same answer.
[fol. 7774] Q. Cincinnati?
A. Same answer.
Q. St. Louis?
A. And the same answer.
Q. Kansas City, Missouri?
A. And the same answer.
Q. Denver, Colorado?
A. And the same answer.
Q. Los Angeles, California?
A. The same answer.
Q. Seattle, Washington?
A. Same answer.
Q. Philadelphia?
A. Same answer.
Q. New York City?
A. Same answer.
Q. Boston?
A. Same answer.
Q. Baltimore?

A. No.

Q. Juneau, Alaska?

A. No.

Q. Are the cities we have just referred to the only cities wherein Edwards remote station alarm systems are installed?

A. Again, you are still talking about the leased wire [fol. 7775] connection when you say that?

Q. That's right.

A. No.

Q. There are other cities?

A. There are other cities.

Q. Would you identify these other cities?

A. Winnetka, Illinois; Lake Forest, Illinois—two that I can think of at the moment.

Q. To your knowledge, are any of the installations in Winnetka or Lake Forest located in industrial premises?

A. Not to my knowledge.

Q. Does the Edwards Company make any arrangements with the Telephone Company for the use of the leased wires——

A. No.

Q. In connection with these installations?

A. No.

Q. Do you know who does make those arrangements?

A. Well, I assume that it would be the owner of the building that would make the arrangements.

Q. Could it be the contractor?

A. I doubt it.

Q. But you don't know for sure?

A. No. That's right.

Q. I believe you stated that you do have institutional premises in these cities that are protected by Edwards [fol. 7776] alarm systems, is that correct?

A. That's true.

Q. Your Company did not install these systems, is that true?

A. That's true.

Q. From what source did you obtain the information relating to the location and type of alarm systems installed in these cities?

A. Well, from our records or our recollections.

Q. Is this information reported to your Company in the normal course of business?

A. Well, yes. But primarily the order is in our file, and the order would state for what premises the equipment is going to be used.

Q. Well, let's take General Electric Supply, for example. When they order equipment from you, does that order state the location in which the system will be installed?

A. Yes.

Q. Did you state on direct examination, sir, that your Company does not manufacture sprinkler supervisory actuating devices, for example?

A. That's right.

Q. Nor does it manufacture water flow devices?

A. That's right.

Q. Did you also state that you purchase these devices [fol. 7777] from others when it is necessary to incorporate them into an Edwards system?

A. That's right.

Q. From whom do you purchase these devices?

A. Well, I can only recall one particular instance, and there—I am not sure—but I think we purchased that from Grinnell.

Q. That's the Grinnell Corporation in Providence, Rhode Island?

A. That's right.

Q. I take it, your Company does sell sprinkler supervisory and water flow alarm systems?

A. We sell a system which is connected and coordinated with the other devices if they want it, or if the specification calls for it, in addition to the normal fire alarm protection which we specialize in, yes.

Q. Do you know whether or not any of these sprinkler supervisory systems are connected to the Fire Department?

A. I wouldn't know, no.

Q. From whom do you purchase smoke detector units?

Mr. Edwards: What's the name of that Company?

Mr. Taylor: Pyrotechnic.

A. (Continuing) Pyrotechnic is one. I think that is the right name. Right now that's where we are purchasing them.

Q. You mentioned that the Edwards Company manufac-
[fol. 7778] tures intrusion alarm devices.

A. That's right.

Q. Are those devices approved by Underwriters Laboratory?

A. No—well, that isn't quite true. Here again the actual contact-making devices which we make don't happen to be approved. The alarm device is, such as a horn or a bell.

Q. The bell, for example, would be?

A. That's right.

Q. Do you manufacture bells for use in burglar alarm systems?

A. Oh, yes.

Q. Of these 830 remote station installations, could you tell us how many of these are burglar alarms?

A. No, I couldn't. Most of them are fire alarm, I would guess.

Q. But you do have burglar alarm systems with off premises connections?

A. I can only answer that by saying that we must have because we sell so many of the contact devices. There again we don't know where they go, but we certainly would assume that some of them are bound to end up there.

Q. But they could all go on purely local burglar alarm systems?

A. They could, indeed, yes.

Q. Mr. Edwards, did you state on direct examination
[fol. 7779] that your Company does not manufacture proprietary alarm panels, receiving panels?

A. Yes. Except in the one case that I just happen to recall in my recollection of Lima, Ohio. This was one where we did.

Q. You did manufacture the console?

Mr. Taylor: May I interrupt?

A. Well, it wasn't a console, but——

Mr. Taylor: May we go off the record again?
The Witness: Yes. Let's go off the record.

(Discussion off the record.)

A. (Continuing) My answer was Lima. You can in-

clude, then, the United Nations and Bethesda and Rockefeller Center.

Q. When you referred to Lima, Ohio, on direct examination, you mentioned a central station alarm system. Did you mean by that: proprietary?

A. Yes, in the connotation as we know it and as my recollection of it. It was both, really.

Q. Well now, was this console in Lima, Ohio located off of the protected premises?

A. Yes.

Q. Was it located in a Fire Department?

A. I can't remember. This was at least thirty years ago.

Q. Mr. Edwards, to your knowledge, has an Edwards alarm system, since 1951, been installed in a premises formerly protected by an approved central station protection service?

[fol. 7780] A. No, I don't know of any cases since 1951.

Q. I believe you stated that Graybar, General Electric Supply, and Westinghouse Supply purchase approximately twenty-five percent of your Company's total production. Is that correct?

A. That's a rough figure. I can give you an exact figure if you want it.

Q. That's fine. To your knowledge does the American District Telegraph Company sell protection devices to Graybar, G. E. Supply or Westinghouse?

A. Not to my knowledge.

Q. Does the Holmes Electric Protective Company sell devices to——

A. Not to my knowledge.

Q. Does the Grinnell Corporation?

A. Not to my knowledge.

Q. You stated that an ultimate user of an Edwards alarm system generally does not receive an insurance premium discount.

A. Not to my knowledge, no.

Q. But you did state that there were some cases wherein premium discounts were available——

A. Yes.

Q. Could you state specifically those installations where insurance premium discounts are available to users of Edwards alarm systems?

The Witness: Off the record.

[fols. 7781-7783] (Discussion off the record.)

A. Barat College in Lake Forest, Illinois.

Q. To your knowledge, this college in Lake Forest, then, is the only installation wherein premium discounts were available?

A. It is the only one that I know of.

Q. Has your Company been approved by Underwriters Laboratories for the installation and maintenance of burglar alarm systems?

A. No.

Q. I believe you stated on direct examination that your Company has not received approval for the installation and maintenance of fire alarm systems from any organizations having your system.

A. That is true.

Q. Is it not true that your Company is engaged solely in the manufacture and sale of alarm devices and equipment?

A. Well, not entirely. Communication devices and alarm devices.

Q. But as far as alarms are concerned, it is solely manufacture and sale?

A. That's true.

Mr. Morrison: I believe that's all I have, Bill.

* * * * * * *

[fol. 7784] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W26a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of LYLE A. VADNAIS, taken on behalf of defendants, before Roger G. Claesgens, notary public, Anoka County, Minnesota, at the offices of Messrs. Dorsey, Owen, Barber, Marquart and Windhorst, 2400 First National Bank Building, Minneapolis, Minnesota, on the 12th day of December, 1961, commencing at 10:00 o'clock a.m., pursuant to notice attached hereto.

APPEARANCES:

Noel E. Story, Assistant U. S. Attorney, appeared for and on behalf of the plaintiff.

Bleakley, Platt, Hart & Fritz, by Frank A. Fritz, Jr., Esq., 120 Broadway, New York 5, New York, appeared for and on behalf of the defendants.

[fol. 7785] The following proceedings were had, to-wit:

Mr. Fritz: May we have the usual stipulation?

Mr. Story: Yes.

LYLE A. VADNAIS, of lawful age, being first duly sworn, was examined as a witness and deposeth and sayeth as follows:

Examination.

By Mr. Fritz:

Q. Would you please state your full name and address.

A. Lyle A. Vadnais. 2135 Floral Drive, White Bear Lake.

Q. Mr. Vadnais, are you an officer of the Electro Watchman, Inc.?

A. Yes, I am.

Q. What is your position?

A. President.

Q. How long have you held that position?

A. Four or five years; since my father retired from the company.

Q. How long has Electro Watchman, Inc. been in existence?

A. Oh, it goes back quite a few years. We were back and forth in the alarm business several years. We started back in 1926. I believe then we moved down in Wisconsin, Ohio, Milwaukee and back to St. Paul again. We have been here about the last twenty years anyhow.

Q. Was your concern incorporated during all that time? [fol. 7786] A. No.

Q. When was it incorporated?

A. Well, can I go back in here (indicating)?

The 3rd day of January, 1950, is when we formed our corporation.

Q. Prior to that time was the business carried on in the form of a partnership?

A. Yes, my father and I.

Q. Was it carried on under that same name, Electro Watchman?

A. Yes, Company.

Q. Would you describe in a general way the nature of the Company's business at the present time?

A. Well, it is installation, service and maintenance of burglar and fire alarm systems.

Q. For how long has that been the nature of the business?
A. All the way back.
Q. I understand you to say before that you were in and out of the business.
A. No. We were always in the alarm business.
Q. In and out of the area?
A. We had several companies and different areas.
Q. Are you interested in any other companies engaged in the electric protective business at the present time?
A. No, I am not.
Q. Would you describe the manner in which your alarm [fol. 7787] systems and service function?
A. Well, we have several types of alarms, if that's what you mean. We have the central and local systems both.
Q. Would you describe, first, the central system.
A. Well, our central is only through an answering service. We install approved and unapproved local systems, and then we use an auxiliary control down at an answering service, excepting in small towns we ring direct to police headquarters.
Q. The latter type of connection through police headquarters, do you refer to that as a remote direct connected service?
A. Simply as an auxiliary because we have no approval for a central station.
Q. Is the subscriber's premises connected by a leased line from the telephone company?
A. That's right.
Q. Directly to the police?
A. Answering service or police, either one.
Q. Do you install in the answering services which you utilize some sort of a switchboard or control panel?
A. Yes, the Ademco Company out of New York, number 120. It is an ennunciator.
Q. Do you own the telephone answering service?
A. No, we don't.
Q. In what localities do you provide this telephone an- [fol. 7788] swering alarm service?
A. In St. Paul. I guess St. Paul is the only one where we have an answering service. The rest we use police.
Q. In what localities do you provide those connections to the police department?

A. Suburban here in the city, suburban areas, smaller towns like Richfield, Crystal, some of those.

Q. Suburbs of both Minneapolis and St. Paul?

A. That's right, and then we have one at the Ramsey County Sheriff's Office which is a direct police in the cities, but then we got throughout the state and in other towns, we have these centrals too.

Q. Could you tell me the cities in which that is done?

A. Faribault, Austin, Mankato, St. Cloud, Bemidji, Grand Forks, Fargo, Aberdeen. I think that is it. Albert Lea.

Q. Are those cities all in the State of Minnesota?

A. No. All except Fargo, Grand Forks and Aberdeen. They are in the Dakotas.

Q. Do you provide direct connections from the subscribers' premises to fire departments?

A. No, sir, none whatsoever.

Q. Have you at any time in the past done that?

A. No, we haven't.

Q. You stated before, I believe, that you provide local fire alarms as well as local burglar alarms?

[fol. 7789] A. That's right.

Q. The fire alarms, as well as the burglar alarms, are tied into telephone answering services?

A. No. Our main business in that line are these nursing homes in our state where the fire marshal here requires an outside bell and inside bell only. That is the type of system. It is Underwriters approved.

Q. When a device is activated, an alarm sounds on the premises owned by the subscriber?

A. That's right. In that type of business they only require internal signals on each floor and one out, an external bell.

Q. What is the procedure followed by the telephone answering service upon receipt of an alarm?

A. They pick up the phone and notify the police for us. They have a direct wire phone.

Q. Is there any arrangements for response by guards?

A. No.

Q. How many telephone answering services do you utilize?

A. One company, the Hoffman Company, one in the

Hamm Building downtown and one at 19 something University Avenue, a telephone answering.

Q. Could you tell me in a general way the location of the subscribers serviced by that telephone answering service?

A. The location? You mean the general area?

Q. Yes.

[fol. 7790] A. We usually try to keep them in the same telephone exchange. For instance, if it is Midway 456, that is a minimum charge, and the same way in the Capitol exchange, stay in Capital 234, and then we get on a minimum charge.

Q. By "minimum charge," you mean what?

A. Less line charge. $4.50 a month.

Q. Are any subscribers served by the telephone answering service located in Minneapolis rather than St. Paul?

A. No.

Q. Do you provide local alarms in Minneapolis?

A. Yes.

Q. Both fire and burglar?

A. No.

Q. Burglar only?

A. Yes, we do. We do have a couple fire alarms.

Q. And burglar alarms?

A. That's right.

* * * * * * *

Q. Do you have with you forms of contracts that you [fol. 7791] enter into with your customers?

(Document handed to counsel.)

A. We have used this lease form for how long, five years? About five years. Previously, we sold our system and set up a service contract.

Mr. Fritz: Could we have that marked as Defendants' Exhibit 1?

(Vadnais Deposition Defendants' Exhibit 1 marked for identification.)

By Mr. Fritz:

Q. Mr. Vadnais, your company retains title to the equipment installed on your subscribers' premises?

A. We do.

Q. And in every case you have an agreement with your subscribers to service the equipment?

A. That is stated in our contract. In our type of contract we answer all calls and give them two inspections per year on a semi-annual basis, and that includes, parts, labor and material. I think the top clause states that.

Q. Mr. Vadnais, do you use the same form in the case of fire alarm installations?

A. No, we don't. We sell the fire alarms outright.

Q. Do you have a different form in cases where you connect the subscriber's premises to a telephone answering service?

[fol. 7792] A. No. The same one. I think you have a rating on this section here (indicating). It would be in our estimation form. Here we are (indicating). We start at $8.00 per month as a minimum charge. Then our equipment is serviced, and the telephone in the cities usually runs $2.00 more because that is what we pay our answering service. We pay $2.00 a month to answer our calls.

Mr. Fritz: May we have this? Shall we call this an estimate form?

The Witness: That's right.

(Vadnais Deposition Defendant's Exhibit 2 marked for identification.)

By Mr. Fritz:

Q. Are all of your contract with subscribers for a five-year initial term?

A. Yes, they are.

Q. Are there occasionally variations of the terms?

A. Once in a while if someone is tied up on a lease for three, three and a half years, we will modify our contract to match that.

Q. Mr. Vadnais, would you kindly state the total revenue derived by your corporation from its protective alarm business during each of the past five years?

A. What year do you want to start with, 1950 or '51?
[fol. 7793] Q. 1955.
A. Total sales, gross sales?
Q. Yes. In that gross sales you include, I assume the moneys you receive for service, from your service contracts as opposed to your outright sales?
A. That's right.
In 1955, it was $57,938.81. In 1956, it was $60,952.01. 1957, $61,711.20. 1958, $61,340.91.
We seem to be missing one. We changed auditors about that time, and it is not in here. We don't have '59 here.
Q. Are you able to give us a reasonable estimate, a reasonably accurate estimate of what the revenue would be?
A. I would say it would be right around between sixty and sixty-five thousand. It was $61,340.00 in the previous year. In '60 it was $84,367.52. I may state one reason for that is that we installed quite a few of these fire alarms that year which were sold outright.
Q. Where were the fire alarms installed?
A. Throughout the state, small towns.
Q. Were they installed chiefly in the Twin City area?
A. No. All over the state. As far as Thief River Falls, way down to the south in the Rochester area, about as far as Worthington.
Q. Are you able to estimate the percentage of those sales [fol. 7794] that were made in the Minneapolis-St. Paul area?
A. You mean of the fire alarms only?
Q. Yes.
A. That wasn't very much. Three is all, three of them.
Q. Were there outright sales of alarms other than fire alarms in the Twin City area?
A. No. We leased everything except the fire. The fire we did sell.
Q. Are you able to estimate what your revenue will be for the present year; do you have any approximation on it?
A. I will say it is going to be a little over a hundred thousand.
Q. Can you tell me the percentage of revenue in each of those years which was derived from service contracts as opposed to your outright sales?
A. Well, yes. We can take one instance here.

Q. An approximation would be enough.

A. For instance, in 1960, as an example, new installations were $31,799.00. The centrals were $18,414.00, and our contract service was $20,742.00, and the rentals were $1755.00; that is the leases on the locals. Installation central—it is broken down. Non-contract services was $1775.00.

Q. What is non-contract service?

A. That is some of these systems we put in years ago [fol. 7795] that don't have contracts. They will call us on a call basis. They pay as they get the service.

Q. With the exception of that one figure, all the other figures you just mentioned represent revenue from installations for which you have subscribers?

A. That's right.

Q. Service contracts?

A. We have it broken down in these categories: installations which is new work, central service, contract service, non-contract and rental. That totals $84,367.00.

Q. I understood, I believe, that the eighty-four thousand figure you gave me earlier for 1960 inucluded the receipts of outright sales.

A. These fire alarms, yes. They would be under installations.

Q. I see. Are you able to sort that out? If you could say approximately, I would be satisfied.

A. Well, let's see how it varies from one year to the other; maybe that is best. I think it is fairly consistent otherwise. Twenty-one thousand, so it would be about $10,800.00 on fire alarms.

Q. So for the year 1960, approximately $74,000.00 of your revenue was attributable to your service arrangements with subscribers?

A. That's right. Installations, service, all that is in there. But that is strictly burglar alarm.

[fol. 7796] Q. Revenues other than that are from outright sales?

A. That's right.

Q. Are you able to tell me the localities which gave rise to this revenue? Can you tell me how much was derived from this area, the Minneapolis-St. Paul metropolitan area?

A. We can go by percentage basis, I suppose. We have about ten fire alarms in the Twin City area, and we have

three hundred twenty-two local bell alarms in the Twin City area.

Q. By local bell alarms, do you mean local burglar alarms?

A. That's right. Then we have thirty-five that are going through the answering services. Then of that three hundred twenty-two, fifty-five of them are your approved certificated local systems.

Q. By that you mean a Grade A?

A. Grade A number 3, local bell.

Q. Those are the current figures, are they?

A. That's right.

Q. Can you give me some other figures for the preceding four years?

(Discussion off the record.)

By Mr. Fritz:

Q. Could we have a statement by you, Mr. Vadnais?

A. 1960, St. Paul income, a total of $15,855.00. Minneapolis was $2658.00, and the suburbs about $2800.00. That would be a total of $21,302.00 for the Twin City-Suburban [fol. 7797] area.

Q. Do those figures include the outright sales?

A. Yes. That would be all income.

Q. Could you estimate how much of that was attributable to outright sales?

A. Not very much this year because we are re-leasing entirely. It would only be a couple fire alarms.

Here is the one question she asked, whether it is for the record or not: Our service contracts, a lot of that service is on a system that is owned by the subscriber, but they have a maintenance contract with us, the older systems.

Q. I see. Do you know approximately how many of those there are in existence, roughly what percentage of your revenue would be derived from such contracts?

A. One hundred twenty out of three hundred twenty-two. It would be about a third.

Q. Now, Mr. Vadnais, could you give me the number of subscribers in the Twin City area during the years 1955

through '59, and if possible, state the services to which they subscribe?

A. In 1955, we had one hundred seven St. Paul accounts, sixteen St. Paul centrals answering service, and for rentals is all. That is when we started leasing. The rest, they owned their systems, and we had service contracts on them. [fol. 7798] Then in 1956, it was 145 accounts, and then 15 of our answering service centrals and 11 rentals. In other words, when we first started rentals, it was only on a proportionate basis. We only sold a few we could afford to keep up. The rest we still stayed with sales. We mixed them. In other words, we would rent one central, rent one and sell one.

Q. At the present time, you do only what you call rental?

A. Only rentals in the Twin Cities. We do some sales out of town, out state because of the additional road expense and everything; we have to have more money out of them.

Q. Where is your place of business located, Mr. Vadnais?

A. Now at 567 University Avenue.

Q. In St. Paul?

A. St. Paul.

* * * * * * *

Q. How long has your local alarm service had Underwriters approval, Mr. Vadnais?

[fol. 7799] A. About fifteen years.

Q. Do you know whether subscribers to that service receive insurance discounts?

A. We issue the Grade A number 3 certification. This one (indicating).

Q. Are you able to tell me approximately the percentage of your subscribers who have certified installations?

A. Of 357 systems in the Twin Cities, 55 are certified.

Q. Has your equipment for fire alarm service received approval from any insurance rating or special organization?

A. Not for insurance, but it is approved in the past by the State Fire Marshal's office. No discount, but it must pass their inspection. Sometimes we use a C equipment too. We are listed for both.

Q. While we are mentioning the sort of equipment utilized by you, do you manufacture any equipment of your own?

A. No, we don't.

Q. Do you assemble equipment?

A. No.

Q. What are the sources of supply?

A. Possibly Ademco, New York and Ace out of Chicago.

Q. There are many other companies supplying burglar alarm and fire alarm systems equipment, are there not?

A. That's right. We do buy our fire alarm equipment from Firelite, most of it.

[fol. 7800] Q. Have you ever experienced any difficulty in securing equipment?

A. No.

Q. Could you tell me in a general way the types of establishments that are protected by your systems?

A. It is pretty widespread, I would say, just about everything.

Q. Do you cover warehouses?

A. Yes.

Q. Stores, retail and wholesale?

A. Stores, jewelry, liquor, furs, taverns, dry goods, men's ready-to-wear, men's clothing. It seems to be a very widespread field. Lately, there has been quite a few of these television shops.

Q. Do you protect restaurants?

A. Very few; we have a few, not many.

Q. Do you have many industrial plants or factories?

A. Not much. We don't do much in that field.

Q. Does this statement which you just made apply to all localities in which you operate?

A. That's right.

Q. Do you have any financial institutions that are subscribers?

A. We have a few banks.

Q. In this Twin City area?

A. Yes.

Q. Do you provide a service call-up or police call service?

[fols. 7801-7802] A. To the banks, yes. Just holdup service through an answering service or through the police force.

Q. In St. Paul do you provide holdup service through the answering service?

A. That's right.

Q. And also directly to police headquarters?

A. Through the same direct phone.

Q. Do you in any case provide holdup, first, by way of a leased line directly from the subscriber's premises to the police department?

A. No.

Q. Do you protect any banks in Minneapolis proper?

A. No. We have no wire.

Q. In the suburban areas?

A. One in West St. Paul and two in St. Paul; that's all. We have quite a few banks out in the state, like in Fargo we have every bank up there wired direct to police headquarters, but not here.

Q. Approximately how many banks do you protect in other areas?

A. Oh, I would say twenty all told.

Q. How many employees does the corporation have?

A. Well, right now, there is my wife and another lady in the office, myself, and there is—let's see—Ralph, Warren, Dick, Warner, Bill and Ed—six working on installation and service.

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[fol. 7803] Do I gather that there are super markets included among your subscribers?

A. Oh, yes, quite a few.

Q. In what area are they located?

A. The Twin Cities mostly.

Q. Do you have any chain super market accounts?

A. Yes. Applebaum's.

Q. How many stores are protected?

A. Well, Applebaum stores, I believe there are 18 stores, and we have 12 of them wired at present.

Q. Do you have any other chain accounts?

[fol. 7804] A. I wouldn't call them chains. They are local setups like the Habicht and Habicht Stores. They have about six stories in Minnesota and Dakota. We have their stores wired.

Q. How many of those stores are located in this area?
A. None right here in the Twin Cities.
We have a lot of municipal liquor stores wired. Out in Roseville we have all their stores.
Q. Are these super markets and these liquor stores, department stores you mentioned connected to a telephone answering service or directly to a police headquarters?
A. They are all through answering service here in the city, with the exception I think we have six or seven accounts in the Ramsey County Sheriff's Office out on Rice Street. Then one in Crystal is direct to the police; one in Richfield is direct to the police.
Q. This connection to the County Sheriff's Office that you mentioned, do you have some sort of a panel installed?
A. The same one, Ademco number 120, this one (indicating).
Q. Does the Sheriff's Office have jurisdiction over the area in which you operate? Would they actually send out men from that office in the event of an alarm?
A. What they usually do is notify over the radio a squad because that is their main radio tower, and they control not only Ramsey County, but all of these small local suburban police. They are monitored into that same place.
[fol. 7805] Q. Could you tell us in a general way how you arrived at the charge for your service when a person comes to you and requests it and you provide burglary protection?
A. Ordinarily, we try to set it up, try to get most of the labor out and lease the rest of the equipment on a monthly charge.
Q. There is an initial charge that covers labor costs?
A. That's right.
Q. That initial charge does not generally cover the cost of the equipment installed?
A. No, it doesn't cover any of it. We lease that.
Q. If a subscriber terminates your service, do you generally remove the equipment installed in his premises?
A. That's right.

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[fol. 7806] Q. Have your prices increased over the past five or ten years?

A. Very little. We haven't changed much.

Q. By very little, I gather——

A. (Interposing) Fifteen, twenty per cent at the most in five years.

Q. That has been an increase, I assume.

A. That's right.

Q. Have your prices at any time during the past ten years decreased?

A. No, they haven't.

Q. Now, I gather that when you go in and make a survey, you have some fixed what we might call unit prices in mind?

A. That's right.

[fol. 7807] Q. In any cases do you through your negotiations with the subscriber vary from those unit prices?

A. No, we don't. We hold the line on that because we have a minimum we have set up on the cities here, and we have set up $96.00 an installation as a minimum, and any system of ten openings or less we hold that price, plus our monthly rating as you see it.

Q. These unit prices which you have are then minimum prices?

A. That's right.

Q. In some cases are you able to secure prices in excess of your minimum?

A. Oh, yes. If it is a larger job, we must. We must increase our labor then; if it is over ten openings, in other words. That can vary quite a lot.

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Q. I note that there was a downward trend in your business in the year 1957.

[fol. 7808] A. That's right.

Q. Is there any particular reason for that downward trend, insofar as you know?

A. A little reorganization. You see, my dad pulled out of the business, became ill, and we didn't have the employees. In fact, in that year there was only three of us operating this company.

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Q. Would you just state in an approximate way what your corporate profit has been in the past few years; say the past three years?

A. In 1960, it was $7651.00.

Q. Is that after taxes, Mr. Vadnais?

A. No, before.

Q. Is that after payment of officers' salaries?

[fol. 7809] A. Yes.

Q. Do I properly assume that salaries of your installers or employees are a large part of your expense?

A. They are.

Q. What percentage, approximately?

A. Well, in 1960, we had about $32,000.00. That is approximately half of our total operating expense.

Q. Is that exclusive of officers' salaries?

A. That is officers, office and service salaries. That would be all the men. That is all our salaries. Of course, auto expense is always a big item. We have about $13,000 here on travel expense and auto expense. That is what we have to pay the men for room and board plus the gas.

Q. What portion of the payroll is attributable to officers' salaries?

A. Officers' salaries, well, they only have one listed, but there should be more than that because we have reorganized.

Q. Could you tell me how many officers you have?

A. We have president, vice president, treasurer; three of them.

Q. Are each of these officers—do I understand you have four officers?

A. Four, secretary and treasurer.

Q. Are each of the officers related one to the other?

A. Well, for instance, the head officers of this corporation are me, my son and my son-in-law; myself, my son [fol. 7810] and son-in-law are the three top officers, and my wife is secretary.

Q. I assume the stock in the corporation is handled by the officers?

A. We are buying out, as I said, two of them on contract, and as soon as they are, they will be turned over to the president and vice president which will be in about two years.

Q. Approximately what portion of your payroll is attributable to officers' salaries?

(Discussion off the record.)

A. Of $30,000.00, it should be about 60 per cent.

Q. Mr. Vadnais, do you know what other companies provide protective service of any sort in Minneapolis and the St. Paul area?

A. Well, yes. In Minneapolis I would say there is A.D.T., Automatic Alarm Corporation—do you want banks? Diebold Company. There is another on banks which used to be Diebold employees. I don't know what they call themselves now. If you have a classified section you can find it.

We have a small company over here, but I don't think they use approved equipment; Triangle.

Q. Triangle Burglar Alarm Company?

A. Yes.

Q. Do you know of the Protection Equipment Company, Inc.?

A. That is the one I am talking about. They are former Diebold employees who started their own.

[fol. 7811] Q. Where are they located?

A. Don't ask me.

Q. In the Twin City area?

A. In the Twin City area. I think Hopkins. I heard they were out that ways somewhere. I don't know the company very well.

Q. Are you familiar with the nature of their business?

A. Well, if they are like Diebold—I imagine they are—it would be mostly banks. They go in for all this protection, put in night tellers, depositories, time locks, time safes and all that sort.

Q. Do you know for a fact they do install that type of equipment in this area?

A. I see some of their alarms around; I know they have them.

Q. You know they do service some banks?

A. That's right.

Q. Do you happen to know how large an organization that is?

A. Which one are you speaking about now?

Q. Protection Equipment.

A. No, I don't.

Q. Have you heard of the Couch Check Alert Controls?

A. No.

Q. Are there other Electric detective companies located in the St. Paul area?

A. The only additional one I think of is probably a fellow who used to work for us who calls himself the Protective, [fol. 7812] but he doesn't use any approved systems. He is strictly on local burglar with unapproved equipment.

Q. Do you know how many people he has working for him?

A. No, I don't. I think he is working alone. He may have one helper working on installation, but he doesn't do much.

Q. He operates in the St. Paul area?

A. St. Paul.

Q. Do you happen to know what sort of establishments are included in his subscribers?

A. Mostly bars, liquor stores, things like that, the few I have seen around. A few drug stores.

Q. Are there any other protective businesses, such as watchmen and patrol services active in the cities?

A. Quite a few patrol services. I don't know who they all are, a few of them. We have a big one in Midway, the Midway Patrol. We have this fellow who operates one downtown in St. Paul which I know is very popular, Sweeney, Sweeney Detective Agency.

Q. That is a detective agency?

A. Yes. He has a patrol service too that goes around town.

Q. Are you familiar with the manner in which they operate?

A. Not very well. All I know is we run into them in competition where they will quote prices to come around and try the doors a few times at night. They are usually, from what I have heard, $6.00 to $10.00 to try a door. They [fol. 7813] haven't got a lot of volume, but they have some.

Q. Do you know whether they have keys to the subscribers' premises?

A. I don't know.

Q. Do they use radio cars?

A. Cars. I see their cars.

Q. You mentioned Midway before. Did you mean to refer to Midwest?

A. Midwest Patrol. They seem to be very popular in the Midway district. They have a lot of subscribers. You see their labels all over.

Q. What sort of establishments seem to be protected by the patrol systems? You say you see their labels on certain establishments.

A. Most of the stores. I don't get into commercial too much, but they have a lot of that. They do have a lot of the regular stores right on the street of all types. You can go down the streets and see them just about anywhere.

Q. Retail, wholesale?

A. Mostly retail. What they do in the wholesale field I don't know because I don't cover too much of that.

Q. You mentioned earlier that you encounter the patrol services in bidding for work.

A. Yes.

Q. Do you encounter the various other companies that [fol. 7814] you mentioned as being engaged in the protective business?

A. Surely. We bid against all of them ordinarily on burglary, of course, and they are all on straight canvassing, and you don't——

Q. (Interposing) I don't quite understand the straight canvassing.

A. Just calling on stores, from store to store you don't run into so much competition. Naturally, when there is a burglary, then everyone is there.

Q. Do you find that from time to time A.D.T. or Automatic Alarm Service submits a bid for central office service in the case where you submit a bid for local alarm service?

A. Oh, yes.

Q. And in some cases I assume you are the successful bidder, and in others they are the successful bidders.

A. That's right.

Q. Do you find that prospective subscribers occasionally refuse to subscribe to your service on the ground that they have insurance coverage and that that is sufficient protection for their purposes?

A. Yes, we do.

Q. Is that a fairly frequent occurrence?

A. Quite a lot, but it is strictly a sales campaign again. We have got to sell them on the idea of combining the two.

Q. In the minds of those subscribers or would be sub-
[fol. 7815] scribers, that is an alternative to your service?

A. That's right.

Q. Your local alarm systems and your systems connected to your telephone answering service provide protection against the same type of hazards as the central office service rendered by A.D.T.?

A. They do.

Q. Do you have any of what you might call industrial process service tied into your telephone answering services?

A. In which way?

Q. For example, do you install devices in a subscriber's premises which would give an alarm in the event boiler temperature rose to the dangerously high point?

A. No. The only thing we have used, occasionally we will put in some of these automatic fire heads if they want them in danger spots.

Q. You refer to making installations of automatic fire heads?

A. That's right, fire locaters they call them.

Q. Could you give me the exact name of the device to which you refer?

A. This one is listed. They have several types, but this is one, the Ademco thermostat fire detector, UL approved, and we have quite a range in them. You can get a 190 fixed——

Q. (Interposing) That is a fixed temperature?

A. Fixed temperature, or you can get a 190 fixed and
[fol. 7816] rate of rise, or you can use a 136 fixed or a 136 fixed and rate of rise.

Q. Is this what you would call an automatic fire alarm system?

A. Automatic fire thermostat, that's right.

Q. Are there other types of fire detection equipment installed by you?

A. Yes. We use the Firelite, but it is the same head, the same detector.

Q. In cases where you have made an installation of these devices, are such devices then connected by leased lines to the telephone answering service?

A. If it happens to be a central type of system. Some of them are just local bell systems. But it is tied in the same wiring. They initiate the alarm the same as the burglary.

Q. In the premises where you have installed these fire protective devices protected also by you against burglary, do you have two leased lines running to the telephone answering service?

A. No. They are combined in one.

Q. When an alarm is received at the telephone answering service, what action does the operator take?

A. The same as with the burglar alarm. It is all under one. When the signal comes in, she isn't aware whether it is a burglary or fire. She would notify it as a burglary.

Q. Have you in any instances installed coded transmitters?

[fol. 7817] A. No, we haven't.

Q. In your subscribers' premises?

A. No, we haven't.

Q. Do you know whether any of the subscribers to your telephone answering alarm service receive insurance premium discounts?

A. They don't receive any additional beyond the local alarm system. That is all we can give them. That is all we issue.

Q. Could you tell me what proportion, approximately, of your subscribers have certified service?

A. Fifty-five in the Twin Cities.

Q. I am sorry; I withdraw the question, Mr. Vadnais. We already have that.

For how long have you been installing fire alarm devices in subscribers' premises?

A. About ten years.

Q. Are you able to tell me the number of installations that you have of this fire alarm equipment (indicating)?

A. You mean total fire or combined?

Q. The combined burglary and fire.

A. Probably thirty-five, forty of them.

Q. In this Twin City area?

A. That's right.

Q. Have you found that competition is either decreasing or increasing in this area?

A. Increasing, especially in the past year.

[fol. 7818] Q. Notwithstanding the increase in competition, you are looking forward to the best year, are you not?

A. That's right.

Q. Have you at any time, Mr. Vadnais, secured as a subscriber a business that previously subscribed to an approved central service?

A. I don't think so. I don't remember any accounts. We have estimated some of them, but we never did any changes on them.

Q. Have you ever secured as a subscriber a person or establishment that moved from a place where it had such central station service and you got the job in the new premises to provide local or telephone answering service?

A. Not that I can recall. Oh, yes, I have to retract that. There is one; we have one account. The Pioneer Tobacco Warehouse had approved central, A.D.T. central, and they switched to our approved local with the answering service. That is on East Seventh Street.

Q. That is where?

A. St. Paul.

Q. What type of installation did you make there, Mr. Vadnais?

A. Grade A number 3 with the auxiliary central to the answering service.

Q. Did you install fire detecting devices?

A. No, not at all.

Q. Mr. Vadnais, you have as one of your subscribers an [fol. 7819] establishment known as Shoppers City, Inc., do you not?

A. It is Automatic Alarm Corporation. That was kind of a mixup there, too. We had sold these people an alarm system, signed the contract with Mel Roth. We got into a lot of difficulty out there about getting a proper line and line rate in New Hope Township. So because of that it went to Automatic.

Q. I see. Have you experienced any difficulty in securing the necessary leased lines, Mr. Vadnais?

A. Not necessarily, excepting for the price of the line to a location that we would have to use. The reason I say this, this company is now opening a new store in St. Paul, and we got a chance at it, see.

Q. You have bid on a new store?

A. Yes. We should be able to get that one because we have the facilities with a reasonable line rate.

Q. Would your bid be for telephone answering service?

A. Sure.

Q. Do you protect the Thomas Rest Home?

A. Not that I know of. The name isn't familiar to me.

Q. The Milton Clothing Company?

A. No. That is Protective. That is this fellow who used to work for us, Protective Alarm Company.

Q. Has it been your experience that your subscribers generally continue to use your service?

[fol. 7820] A. Yes, it has.

Q. You have a low rate of dicontinuances?

A. Seventy-five per cent of the remaining balance.

Q. I am sorry, I don't understand.

A. On discontinuances on our contracts, I say we have 75 per cent of the remaining balance.

Q. I am referring——

A. (Interposting) You mean the number that do discontinue?

Q. Yes.

A. Very few.

Q. Do you generally secure renewals?

A. Yes.

Q. Do you have membership in any trade associations or organization, Mr. Vadnais?

A. National Burglar and Fire Alarm.

Q. For how long have you been a member?

A. We have been in that for about a year now, two years probably.

Q. Have you ever sought to seek approval from Underwriters or insurance rating organizations for your central alarm office?

A. No, we haven't.

Q. Is there any particular reason why you haven't undertaken that?

A. Well, we haven't gone into that field too much, and we would have to build up quite a volume before we would be able to. The expense is quite high.

[fols. 7821-7823] Q. Do you have some notation as to the volume you would have to have before going into an approved central station?

A. I haven't investigated it so far.

Q. You have found that the lack of your ability to provide that service has not impaired the profitableness of your business?

A. No. Naturally, we lose a percentage of business because we can't bid on that type of system. We feel we are getting our share of our type of business.

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[fol. 7824] Q. Would you mind giving me the names of the subscribers, prospective subscribers secured by A.D.T. in competition with your company?

A. Well, this one was a little different instance. The Robert Street Liquor Store in St. Paul on Robert Street where they already have A.D.T. approved central, his brother opened up a new store which we sold, and he wanted to cancel out this contract because of a raise, I believe is what he told us. Then we went in, signed the contract for a local approved system which he wanted instead and gave him a price also on what it would cost for the central, and [fol. 7825] when that happened, A.D.T. immediately came in and lowered their price to meet ours to hold the contract.

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[fol. 7826] Q. I will try to clarify that.

Do you have subscribers, we will take for example, liquor stores, subscribers of ordinary size, say 20 by 100 feet store; suppose he is located in a downtown area of St. Paul. Do you find that there are other stores, similar stores subscribing to approved central station service as opposed to your service?

A. Yes, I would say so.

[fol. 7827] Q. Is that so in other types of businesses?

A. Not necessarily. Just as I say, it seems to be a separate field. A lot of them seem to like a central system with the reporting service, especially if they have quite a few employees that they don't have too much confidence in. That is where they get the advantage with that because they have got a reporting service. They have to know who is going in and out all the time.

Q. You are referring to the opening and closing?

A. That's right, which you don't get with a local alarm system.

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Q. Your telephone answering service permits you to keep records of openings and closings, does it not?

A. I think the only store we do that for is one.

Q. You can do it if the subscriber desires it?

A. Oh, yes, we can furnish it. We pay a higher rate to [fol. 7828] the answering service in those cases because it is a lot more book work for them, but it can be done. We can issue code numbers if they want.

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Examination.

By Mr. Story:

Q. Mr. Vadnais, as I remember it, you said that about five years ago you sold your alarm systems to your subscribers, is that right?

A. That's right.

Q. Do you still service any of those subscribers where you had previously sold the alarm systems?

A. That's right.

Q. Do you stil service any of those subscribers where you had previously sold the alarm systems?

A. Oh, yes. The biggest percentage of them, I would say.

Q. The biggest percentage?

A. Yes.

Q. Do you know whether or not any of those systems where the subscriber owns the system has a certificated alarm at the present time?

A. Yes.

Q. Those have been certified by the Underwriters Laboratories and entitle those subscribers to insurance rate reductions?

A. That's right.

Q. Would you tell us about how many such accounts there are where you have that situation?

[fol. 7829] A. Well, we have a total—you mean throughout the state or just here in the cities?

Q. Give it here in the cities.

A. We have 55 approved certified in the cities, and of those I would say at least 35 of them are non-rentals. They are owned.

Q. The owners own their own systems?

A. That's right.

Q. And they have a contract with you to service those systems?

A. That's right. It is compulsory on a certified system.

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[fol. 7830] Q. Mr. Vadnais, I think you stated that the American District Telegraph Company is engaged in the local alarm business here in the Twin City area, is that correct?

A. That is correct.

[fols. 7831-7832] Q. Have they been engaging in such business over an extended period of time?

A. I don't believe so. It seems to be mostly in the past year. Since they started—about the time that Robert Hall came in.

Q. And that was about what time?

A. About a year ago.

Q. Prior to that time did you ever run into any competition from A.D.T. in bidding on a strictly local alarm account?

A. No, we didn't.

Q. Do you do any of the selling in your own company?

A. I do most of it.

Q. During what period of time have you been active in selling local alarms here in the Twin City area?

A. About the last ten years.

Q. During that ten years up until the past year, did you run into any local alarms or run into A.D.T. representatives soliciting local alarm business?

A. No, we didn't.

* * * * * * *

[fol. 7833] Q. Now, in your telephone answering service accounts, I think you mentioned that some of your Grade A local alarms were connected to the telephone answering services.

A. Yes, they are.

Q. Would your Grade A certified accounts receive any additional insurance credits because of this answering service?

A. None.

Q. You have some systems, I presume, on your telephone answering service board that are not certified burglar alarm systems?

A. That's correct.

Q. Do they receive any insurance credits because of that service?

A. No, they don't.

* * * * * * *

[fols. 7834-7835] Q. Mr. Vadnais, have you lost any of your local burglar alarm subscribers because those subscribers have changed to central station protection service in the last year?

A. Not that I know of.

Q. What about the previous year?

A. I don't believe so.

Q. I think you mentioned that you had taken over the Pioneer Tobacco Company and established a local alarm with a telephone connecting service.

A. That's correct.

Q. Approximately when did that happen?

A. Apparently about four years ago, four or five years.

Q. Four or five years ago?

A. That's right.

Q. Was that prior to the time that the Automatic Alarm Company was functioning as a central station here?

A. Oh, yes. As far as I know, that's only been about a year.

Q. Did the owner of this company tell you the reason why he was selecting your local alarm service?

A. No.

Q. Was A.D.T. the system in the building at the time you installed yours?

A. No. They removed their system.

* * * * * * *

[fols. 7836-7838] Q. In other words, A.D.T. systems that you have seen have been on the larger establishments, is that right?

A. That's right.

Q. Do you solicit that type of business?

A. Yes.

Q. Do you solicit some of the larger department stores in both cities?

A. We do.

Q. Do you have very many of them?

A. No, we don't.

Q. What type of services are they interested in?

A. Well, the ones that we have been selling seems to be buying your approved locals. We have a few centrals in answering service.

* * * * * * *

[fol. 7839] Examination.

By Mr. Fritz:

* * * * * * *

[fols. 7840-7841] Q. Now, insofar as uncertified systems are concerned, is your statement to the effect that the subscriber receives no insurance discount based on personal knowledge or an assumption?

A. No. We find from experience that they will not receive any from a stock company, but they will from a mutual company. A mutual company will give them a discount whether it is approved or not.

Q. Some insurance companies will?

A. That's right, mutuals.

* * * * * * *

[fols. 7842-7844] Q. During the past ten years you have encountered A.D.T., have you not, when you have put in a bid for local service or telephone answering service?

A. The only thing we have encountered with them is central.

Q. But you have encountered central station?

A. Oh, yes.

Q. And in some cases you were the successful bidder, and in others A.D.T. was?
A. That is correct.

* * * * * * *

[fols. 7845-7846] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W27a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

November 14, 1961

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

* * * * * * *

[fol. 7847] PROCEEDINGS

GERALD R. DELUE, a witness of lawful age, being first duly sworn in the above cause, was examined and testified on his oath as follows:

Examination.

Q. Mr. DeLue, would you be good enough to state your full name and address, please.
A. Gerald R. DeLue—home address?
Q. Please.
A. 2753 South Quitman.

* * * * * * *

[fol. 7848] By Mr. Fritz:

Q. What is your occupation, Mr. DeLue?

A. I am President of Frontier Guard and DeLue, Inc.

Q. And where is that place of business located?

A. 2753—or 2915 West 7th Avenue, Denver.

Q. And what is the nature of your company's business?

A. Patrol, guards, alarms, security services of many varied kinds.

Q. And how long have you been in business?

A. About two and a half years in this particular company.

Q. Yes. And prior to that?

A. Prior to that, associated with the Armored Motors Service and other—my own company, the DeLue Protection Agency, for about four years.

Q. And what was the nature of the service that was furnished by the initial company, DeLue Protection Company?

A. We sold electronic systems, burglar alarms, and door openers, and various electronic equipment.

Q. But I take it from what you say that the business was only a sales business, is that right?

A. Yes, it was strictly a sales agency.

Q. And what was the category of customers to whom you sold, were they protective service companies, or were they [fol. 7849] individuals as well?

A. A little of each. We were a distributor of equipment, and sold some to dealers and some to individual businesses.

Q. You represented some supplier here in Denver, did you?

A. No. It was the Radar Guard Service—or Company, in Newark, New Jersey.

Q. I see. And was that equipment essentially of the type used in connection with the furnishing of burglary protective service?

A. Well, they——

Q. Or used in connection with protection against burglary, is really what I have in mind.

A. Well, they had an electronic unit that would announce the intrusion of somebody within a particular area, yes.

Q. Essentially it was equipment used for what's known as local burglar alarm——

A. Uh-huh.

Q. —protection, is that right? And then did you continue on with that type of business while you were with the Armored Car Service, as I understood the name to be?

A. Well, I did this other business more or less on the side as—while I was the manager of the branch office of the Armored Motors Service in Billings, Montana.

Q. Armored Motors Service?

A. Uh-huh.

Q. Did that have any connection whatever with the pro-
[fol. 7850] tective service of any kind?

A. No.

Q. That had to do solely with the automotive field, is that correct?

A. Uh-huh.

Q. And how long were you with that company, the second named company, the Armored Motors Service?

A. About three years.

Q. And then approximately two and a half years ago, you began your present operations, is that correct?

A. Uh-huh.

Q. Now, what types of services does your company furnish now, protective services?

A. Well, patrol service, in the categories of residential patrol, commercial patrol, and special on-call services in patrol work. This is the largest portion of our business. And before I bought the—we bought the stock of this Frontier Guard, this was their only service. Then we also supply stationary guards for occasions, construction work, and so forth.

Q. Does that cover pretty much the types of patrol and guard service that you furnish?

A. Yes.

Q. Those categories?

A. Uh-huh.

Q. What other type of protective services, if any, do you furnish?

[fol. 7851] A. Then we also install alarm systems, burglar or fire. We lease or sell these systems, depending on the customer's wishes.

Q. Yes. Do you furnish any type of central station protective service?

A. Yes, we have a central station that receives alarm signals from various businesses.

Q. Is that located at the address which you previously gave?

A. Yes, it is, uh-huh.

Q. Is that your own company's central station?

A. Uh-huh.

Q. And when did that come into being?

A. Well, it was initiated just about two years ago, was the initial start of it.

Q. That was shortly after you came into this——

A. Uh-huh, about three or four months after we——

Q. Yes. So I take it it was some time in 1958 that you began these last mentioned operations of local and central station protective service?

A. I believe that would be correct, uh-huh.

Q. You're the President of this company?

A. Uh-huh.

Q. And there are others of your family, I believe, connected with the company, are there not?

A. Yes. My dad is also a 50 per cent stockholder in it, Leonard L. DeLue—or Leonard DeLue, period.

[fol. 7852] Q. Has your background, either from the standpoint of education or business, been in the electrical field, or related fields?

A. No.

Q. What was your business experience, just generally, I mean as to type, before you got into this business?

A. Primarily with security matters concerning Armored Motors, pick up of money and hauling of money under security conditions.

Q. How long had you been with them?

A. About two or three years, I couldn't—they—we've owned—my family owns the Armored Car Service, so actually all my life is——

Q. I see. Now, when you refer to local burglar alarm service, do you refer to the type of service in which you install on a subscriber's premises an actuating device which sounds an alarm on the premises when there's an attempted intrusion?

A. We have those type, yes.

Q. Well, that's what you call local, is that right?

A. Yes, uh-huh.

Q. That's the type that's not connected with any central station or any other central receiving point for signals, right?

A. That's correct, uh-huh.

Q. And when you started in 1958, did you start with any substantial number of subscribers to local burglar alarm service, or did you start from scratch?

A. We started from scratch, as far as—are you referring when we first got into the alarm business as such?

[fol. 7853] Q. Yes, that's right.

A. We started from scratch.

Q. In other words, you didn't take over the accounts or the business of any other company?

A. No. We had some ready-made accounts, you might say, in our patrol service that were in need of this type of service.

Q. So some of your subscribers who had been receiving patrol and guard service from you became subscribers to your local burglar alarm service, is that correct?

A. Yes, as an added feature, uh-huh.

Q. Approximately how many local burglar alarm customers or subscribers did you have when you started back in 1958?

A. Well, is this on systems purchased, or systems leased, or——

Q. Well, I'm talking——

A. —just customers?

Q. I'm talking about customers to whom you furnished protective service as distinguished from outright sales.

A. Oh, strictly on a lease basis.

Q. That's right.

A. As a monthly service.

Q. Yes.

A. Probably none, at the time, starting off with one.

Q. Starting out with one. And at the present time, approximately how many do you have of that category?

A. In local service?

[fol. 7854] Q. Yes. On what you call the lease basis.

A. Oh, maybe 15 or 20.

Q. Now, then, I take it that you were—from what you say, you were also selling local burglar alarm equipment on an outright basis to people, is that right?

A. Yes, uh-huh.

Q. And approximately how many purchasers did you have of that kind of equipment through those couple of years, say on an annual basis?

A. On an annual basis, it would average probably three or four a month, I imagine, maybe 50 a year, or something of that nature.

Q. Now, shortly thereafter you began furnishing central station burglar alarm service, I take it?

A. Uh-huh, yes.

Q. And did you start from scratch there, also, with——

A. Yes.

Q. —just a few?

A. Uh-huh.

Q. And how many customers of that type of service, approximately, do you have today?

A. Well, some of these customers—this should be explained, that some of the customers are on a—where they have purchased the equipment, and the only charge that they receive is when they actually have need of the patrol. In other words, they are predominantly patrol customers [fol. 7855] which own their own equipment, and have their alarm systems in to us. Others are leased systems.

Q. Well——

A. So they could——

Q. Give me if you can—can you give me a general breakdown of the two between the purchased and the leased?

A. Well, there's probably—maybe 50 leased, and 20 who own their own equipment.

Q. Now, does that——

A. Do you mind if I smoke?

Q. No, you go right ahead. We all do, or most of us. And I take it that number of 50 subscribers to your service where you lease the equipment and the 20 who own the service, that represents the approximate number of your customers?

A. Uh-huh.

Q. Is that right? And——

A. On this type of service, yes.

Q. On this type of service. And represents, I take it, some increase over the last two and a half years from the time you started?

A. Uh-huh.

Q. And a certain number each year, is that right?

A. Well, this is hard to determine, too, because probably the majority of those were already customers on patrol, but they added to or in the way of changing over to alarms.

Q. But they do represent new customers from the stand- [fol. 7856] point of central station burglary protective service?

A. Yes.

Q. Although they might have been prior customers of yours for some other type of service, such as patrol or guard, is that right?

A. They're new alarm customers, maybe not new monetarial customers, but new alarm customers.

Q. Yes. Now, does that last four or five questions cover pretty much the various types of burglary protective service that your company furnishes?

A. Yes.

Q. I think you said you also furnish fire protective service; is that right?

A. Yes. This is a very limited thing with us, but we have a few systems where we have put in local fire detection devices.

Q. Local?

A. Yes, uh-huh.

Q. What types of devices are those?

A. Automatic thermostats detecting fire condition, and sounding or indicating an alarm.

Q. When you say sounding an alarm, you mean sounding an alarm on the subscriber's premises, I take it?

A. Yes.

Q. Is that right? And again not connected with any central station or any central receiving—signal receiving point, is that right?

[fol. 7857] A. No, no. Usually it doesn't pay them to do so from the standpoint of—if they go that far, they want, you know, an insurance discount or something of an approved nature, rather than going into it just for the added security. Now, some of these systems, however, will trigger

our burglar alarm systems, if we have those in conjunction with it.

Q. In other words, you have a combination local system that involves both the burglar and fire protective aspects, is that correct?

A. No, no. We might have a central station burglar alarm——

Q. Yes.

A. —that is a silent alarm coming into our office, which if a local alarm goes off, such as a local fire alarm, it would also trigger the——

Q. I see.

A. —central station alarm, indicating that trouble was there.

Q. So it's a combination which may get into your central station in case of the triggering of the actuating devices on the subscriber's premises?

A. Yes, uh-huh.

Q. What type of establishments or businesses are represented by your subscribers to this local fire protective service that you mentioned?

A. Well, they're predominantly small industrial or manufacturing type of business, it so happens. There is no particular reason why some of our other customers couldn't also use them if they so desired.

[fol. 7858] Q. But they're not limited to places like schools or hospitals or apartments?

A. No.

Q. Or hotels or things of that sort? Various types of establishments, is that right?

A. Well, no. We have so very few of those particular types of systems——

Q. How many do you have?

A. Probably—maybe three or four, that have the fire detection.

Q. What is the approximate overall number of your customers for all types of protective service, leaving out the outright sales at the present time?

A. About 500.

Q. 500.

A. It would exceed—about 550, actually.

Q. And what constitutes the majority of those 550 with respect to type of service?

A. Patrol customers.

Q. Patrol customers. They number approximately how many? I could do the arithmetic here, I think, if we had the time, but perhaps you could tell us.

A. Well, they would—maybe I misunderstood your question. They would number—the patrol customers themselves would number over 500.

Q. Just the patrol customers?

[fol. 7859] A. Yes.

Q. I see. Then these figures that you have given me with respect to local, both burglar and fire, and your central station, on the leased or purchased basis, that number of customers is in addition to the 500 patrol customers?

A. No, not particularly.

Q. No?

A. Because many of them are the same—many of them have the central station burglar or fire, and patrol.

Q. I see.

A. Probably—well, all of them also have patrol, too. But what I'm saying is that many of them, probably at least 50 per cent of them, have set required inspections in addition to the burglar protection in there.

Q. Approximately how many customers do you have who have this combination service that you just mentioned, the patrol, burglar and fire?

A. Probably 40 of the alarms.

Q. And the service that they have, protective service, as distinguished from the patrol for the moment, is that the central station type?

A. Yes.

Q. The subscribers——

A. Of those 40, uh-huh.

Q. Of those 40. They have central station protective [fol. 7860] service, and in addition they have patrol service, right?

A. Uh-huh.

Q. What type of establishment has that three-pronged type of protective service, patrol, central station burglar and fire?

A. Oh, all—this could be any, some of them are retail

merchants, drug stores, liquor stores, some are filling stations, some are industrial plants, some are manufacturers.

Q. And what type of establishments do you service or furnish protective service to by means of your patrol system?

A. Predominantly the same, any—any business at all, home, or commercial, it wouldn't make any particular difference.

Q. All types, I take it?

A. Uh-huh.

Q. Residential and commercial establishments?

A. (Nodding head.)

Q. Will you describe briefly how your patrol service functions?

A. Well, from a commercial standpoint, this is a service that the customers sign up for periodic inspections, sometimes interior inspections, sometimes exterior.

Q. Of their premises?

A. Of their premises. Whether it be a yard area or a building, or sometimes just a crane out on a highway, or something of this nature. This comprises the commercial aspect of the patrol. Then the residential aspect of it is used in the same respect on residential customers, such as [fol. 7861] homes, people leaving on vacation, people leaving their children with babysitters and wishing us to check or be on call, generally just being in the area in case of an emergency, recording suspicious vehicles in the area, and so forth.

Q. All of this service that you mention, including your patrol service, then, has as its basic object the protection of life or property or both, is that correct?

A. Yes, I'd say so.

Q. And it relates to the protection of those aspects with respect to all types of emergencies, I gather?

A. Yes.

Q. Do you maintain a regular force of patrolmen and guards?

A. Yes.

Q. Approximately how many?

A. We have—of all employees, we have probably about 22.

Q. And how does that compare in number with the num-

ber that you had when you began your local and central station protective service some time in 1958?

A. Probably about a third higher.

Q. A third higher now?

A. Yes.

Q. I take it, therefore, that your patrol and guard business has increased, is that correct?

A. Yes, uh-huh. We've bought out several other companies.

Q. You have. Would you mind telling us what companies they are.

A. The Crestmoor Security Patrol, and the Adams [fol. 7862] County Security Patrol.

Q. Then out of that approximate 500 you took 40 which have patrol and burglar and fire protective service, leaving somewhere between 400 and 450 who have essentially only patrol or guard service of one type or another, is that correct?

A. Yes, uh-huh.

Q. When you came into this—I take it that your service is rendered in Denver and outlying districts, is that correct?

A. Yes; predominantly Denver.

Q. Predominantly Denver?

A. Denver and Adams County.

Q. Where is Adams County? I'm not familiar with that.

A. I'm not sure anyone is.

Q. Thanks.

A. It takes in the Derby area, Commerce Town—well, that——

Q. And using a radius with your business office as a center, approximately what would be the distance involved in your operations?

A. Well, from north to south we would cover probably ten miles. It—our office doesn't make a very good focal point, since we would be on the extreme west of all of our district as a focal point.

Q. I see. When you came into this field back in 1958, what other companies were there in the City of Denver furnishing the same or other types of protective service?

A. No one—well, as far as strictly patrol——

Q. No.

[fol. 7863] A. —or strictly alarms, or everything we do?

Q. All kinds.

A. There was no one furnishing the same package that we have, since we were the only patrol company furnishing alarms, patrol, and guards; and by the same token, there was no alarm company furnishing patrol and guards and alarms. So——

Q. In a package deal such as you are able to do, is that right?

A. This is the way we set up all our customers, is from a standpoint that no one thing is enough for—is the complete story. They each lend themselves to their needs.

Q. There were other companies, however, in existence here in Denver furnishing other types of both burglary and fire protective service, were there not?

A. Yes.

Q. Do you know what they were?

A. Yes. Denver Burglar Alarm, ADT, these were the only central station alarm companies——

* * * * * * *

[fol. 7864] Q. I meant to ask you, how about Electro-alarm Company, do you know about them?

A. Yes, I know Mr. McDaniels' company very well.

Q. What do they do?

A. They are predominantly a local alarm company.

Q. Were they in existence at the time that you came into the field?

A. Yes, uh-huh.

Q. How about Commercial Burglar Alarm?

A. Yes. He was also in business in local alarms.

Q. And how about the Colorado Merchant Police?

A. No, he wasn't in the alarm business at all at the time.

Q. Are they in business now?

A. Yes.

Q. Have they come into the field since you came into it?

A. Yes.

Q. What type of service do they render?

A. Well, the Colorado Merchant Police renders the exact same type of package deal that we render, also, converting some of their patrol customers into alarm customers and patrol combinations. It's a thing we in the patrol business

have done more from a standpoint of self-defense as well as everything else, it became a necessity for him to do like-
[fol. 7865] wise. The Electroalarm Company is still in business, predominantly still local alarms. He does have a few central alarms piped into telephone answering services, I understand. The Commercial Alarm is likewise in the same position as Electroalarm.

Q. Using telephone answering service, too?

A. Yes, uh-huh. Very slightly, I understand they only have——

Q. Has Colorado Merchant Police expanded its business since it came into existence, do you know?

A. I beg your pardon?

Q. Has Colorado Merchant Police—has its business expanded, do you know, since it came into being?

A. Oh, yes, yes.

Q. Is their area of operations essentially the same as yours, I mean from the geographic point of view?

A. No. They're strictly out in—their districts run west of ours, which would be predominantly west of Federal Boulevard in the Lakewood area.

Q. How about Electroalarm Company and Commercial Burglar Alarm Company, do they operate in the same geographical area that you do, or parts of it?

A. Yes, they operate any place in the metropolitan area, I understand.

Q. The same is true, I take it, of Denver Alarm and American District Telegraph Company?

A. Yes.

[fol. 7866] Q. You are familiar, are you not, Mr. DeLue, with the situation under which some particular bodies inspect equipment and service and grant approvals?

A. Yes.

Q. Both in the field of burglar and fire?

A. Uh-huh.

Q. Do you know what those bureaus are that function here in Denver with respect to those two fields, burglar and fire?

A. Yes. It would be the Mountain States Inspection Bureau, predominantly, here in Denver, pertaining to fire. And then, of course, the Underwriters Laboratories has

an inspecting force which is supposed to come around and inspect approved installations of burglar alarms.

Q. Why do you use the word "supposed"?

A. Well, they do, but they are terrifically undermanned, let's put it that way. It's impossible for them to inspect all.

Q. So you think they do something less than they're supposed to do because of lack of manpower?

A. Well, this is my understanding, let's put it that way.

Q. Yes. Is any part of your service, either local or central station, either in the burglary or fire protective field, approved service?

A. No, it's not.

Q. None of it?

A. None of it, no.

[fol. 7867] Q. Now, approximately what was your annual gross revenue, I don't want it in precise dollars, for the year 1960, from your overall business?

A. Approximately 75,000.

Q. How about 1959?

A. Probably 60,000.

Q. Then, of course, you were in business for only a portion of the year 1958, right?

A. Yes. But they would hold pretty much standard through those years, with the exception of purchasing a few of these smaller companies.

Q. What——

A. Patrol companies.

Q. Just what do you mean by that? Do you mean that your revenue was augmented by the acquisition of these two companies?

A. Yes, a little bit, not much. They're both quite small.

Q. Now, what percentage of these totals that you gave us revenue-wise would be represented by your subscribers just to your patrol service in each of those years, approximately?

A. Well, in 1958, it would probably be close to 95 per cent, anyway. In '59, it would be about—the patrol would be a good 90 per cent of it. And in '60, probably going down to 85 per cent. The thing that is extremely hard to determine is that our contracts are written as a package, so if you have a customer at $35 a month, what portion do you want to contribute to the alarm, what portion

[fol. 7868] do you want to contribute to the patrol. It would be a difficult breakdown.

Q. But you think the figures that you've given me are reasonably accurate figures?

A. Yes, I would say so.

Q. All right. How would you say the remaining balance of five, ten and 15 per cent in those years, if you can do it, would be split up between local and central station burglary protective service?

A. Of those percentages, probably 95 per cent, if you want it, would be central.

Q. And the other five local?

A. Yes. Those figures are really brought out of the air, I hope you appreciate it as——

Q. Yes, but that's your best judgment——

A. Yes, uh-huh.

Q. —as to what the situation is. Then there's a little bit left for your fire accounts, right?

A. Yes. They—they're so slight, I don't know how we could really figure it.

Q. Yes, I understand. Now, from what you said a moment ago, I take it that you render your service under some kind of written contract; is that right?

A. Yes, uh-huh.

Q. Have you with you sample forms of your contract?

A. Yes.

[fol. 7869] Q. May I have them, please?

A. I have here a sample of our alarm and service contract, which we include any patrol services, and so forth, into that when we write that up as a package thing. And then also this would be strictly a patrol contract, which would differ from that inasmuch as there wouldn't be an alarm connected with that type of contract.

Mr. Fritz: Thank you. I'll ask that these be marked for identification.

(Defendants' Exhibits 1 and 2 marked for identification and annexed hereto.)

Q. We are getting pretty close to the end of the year 1961. Do you have a view of what your revenue for this year might be on a gross basis?

A. Yes. On a gross basis—this year we've gone very

heavily into stationary guards and sales of alarm equipment.

Q. Yes.

A. Our gross income this year to date would probably be—this is the tenth month—eleventh month——

Q. Eleventh month.

A. It would probably be 125,000.

Q. And by sales, I take it you mean sales of equipment used in the rendition of protective service, is that correct?

A. Yes. Our customers, we've found, have taken a dim view of this lease aspect from a standpoint of primarily a long-term contract and this 8 per cent excise tax, so they—[fol. 7870] many of them—have preferred to purchase, and until we experienced this we didn't realize how bad they felt about the other type of service, so we went heavily into this.

Q. Have you any idea approximately how many purchasers you had of the protective service equipment in 1961? You say you've gone into it rather heavily?

A. Well, yes. Our business is probably at least doubled in number of customers monthly in '61, because of this.

Q. What is it running on a monthly basis, would you say?

A. I would say six to ten a month. That doesn't pin it down, but one month you'll have six and the next month you'll have ten.

Q. As contrasted in 1960 with about what?

A. Probably three to four.

Q. And in those cases where you sell this equipment outright, do you have any arrangement for the maintenance or service of that equipment?

A. Yes. Generally, on an oral agreement, their knowing that we are well established and in business, they're not worried about service.

Q. You don't have any written contract for service in those cases?

A. We have those available. But frankly, the estimated life of our equipment was estimated at 27 years, so we don't advise them to enter into a maintenance agreement on anything of that long term, they would be money ahead to take it on a per call basis.

[fol. 7871] Q. In other words, when some situation arises

that they think requires attention to the equipment, then they call you, is that the way it works?

A. Yes. It's rather difficult to have them on a monthly service agreement, and then not see them for months and months and months. So we try to explain this to them so they do—do recognize this fact.

Q. What do you do, make a specified charge per call, or something of that sort?

A. Yes, that's right.

Q. Is that a fixed charge, or does it depend upon the circumstances of each case?

A. Well, it depends on each case, as far as time and possibly repair of equipment would go.

Q. Yes.

A. We also have a charge for answering the alarms on—to the customers who have purchased the equipment.

Q. Could I ask you there, do all of these people who have purchased your equipment have their equipment tied into your central station, or not?

A. Oh, no. No, there are quite a few that are local alarms, quite a few that decide to hook in.

Q. Percentage-wise, how would——

A. Probably 60 per cent go for the local, and maybe 40 per cent for the central. This is—from a standpoint of [fol. 7872] the nature of our alarms, there is a telephone line charge based on as-the-crow-flies mileage, a dollar per quarter mile.

Q. Now you're talking about the charge made by the telephone company for the use of that line?

A. Yes. And this definitely limits us to our potential of hooking up, everybody would rather hook up to the central, but by the same token, they don't want to get into a ridiculously high phone line charge to accomplish this added service.

Q. In other words, they don't think it's worth it with respect to what they desire, is that it?

A. Monetarily-wise, yes.

Q. Yes.

A. Uh-huh.

Q. Now, in the case of those accounts or subscribers that are connected to your central station, what is the handling

of the signal in your central station, what do you do when you get a signal?

A. Well, again by nature, our predominant type of alarm is an audio-detection device. This, like all alarms, is subject to false alarms. But because of the features of being able to monitor what is going on, we can use a little human intelligence to determine what caused this alarm, as against the older type of systems we have used before this, where you had to answer every alarm that came in regardless of nature because you couldn't determine its cause or its nature, really. So we receive, first of all, these [fol. 7873] audio alarms, which upon receipt of such an alarm, we press or depress a button, and we can monitor what is going on inside the building.

Q. In other words, you sort of play back into the subscriber's premises a signal in order to help you ascertain what the nature of the alarm was that you got there, is that correct?

A. Not really play back. We are actually listening to what caused the alarm coming in. It's a matter of tripping a switch, receiving an audio signal of just what is going on in the way of noises in the building itself.

Q. Now, these audio receiving mechanisms on the subscriber's premises, what are they, microphones?

A. Microphones, amplifiers. In addition to that, we use various other conventional burglar alarm equipment, such as so-called radar, ultrasonic.

Q. Photoelectric cells?

A. Photoelectric, door bugs, and traps, window traps, and so forth.

Q. Ordinary door and window contacts?

A. Yes. And these are differentiated between the audio signal by an entirely separate signal.

Q. So you have the two types of signals in the case of a subscriber who has both types of service on his premises?

A. Yes, uh-huh.

Q. I take it you may possibly have one type or the other [fol. 7874] on a given subscriber's premises, is that right? You may have the audio type on one subscriber's premises and not the usual type, we'll say, of burglary protective service, and vice versa?

A. Yes. Or more often than not, a combination of the two.

Q. Sometimes you have a combination, or, as you say, more often, is that right? Then when you do receive a signal in your office, if it's from this audio type of equipment, there you listen in to see if you can determine what the nature of the alarm is, is that correct?

A. Yes, uh-huh.

Q. And based upon the conclusions that you reach in that connection, then you take certain type of action, I take it, right?

A. Yes, uh-huh.

Q. Now, what is that type of action that you take?

A. Well, if the cause is not very distinguishable, we will send in our patrol cars. If the cause is distinguishable and can be blamed upon a known disturbance that we expect by the nature of the building, the alarm is reset. If the disturbance is distinguishable by a forcible entry, then the Denver Police Department is notified immediately, as well as our own patrol cars.

Q. And in the case of the signal that you receive from the non-audio receiving type of mechanisms, what do you do?

A. We automatically go to the scene, as well as notify the Denver Police Department.

Q. In other words, you respond to all alarms, whether [fol. 7875] false or real, because you don't know what they are?

A. No, not necessarily. We can determine on audio alarms——

Q. No, I mean on the non-audio.

A. Oh, yes, definitely.

Q. I'm talking about the other type now.

A. Yes.

Q. That doesn't involve the audio receiving mechanism.

A. Those are responded to regardless.

Q. Is the use of the audio type of signal system a large part of the subscribers who have burglary protective service from your company?

A. Yes, a good 95 per cent of our customers have this system.

Q. Is that a type of system which is afforded by any other company here in this area?

A. Could be, but I do not know of another one using it. There is no real reason why they couldn't. The equipment, of course, is available to them.

Q. Yes. Well, what I mean to say is that in the ordinary performance of your work here, you haven't found other companies actually using that type of equipment, although they might well—they would be able to do it?

A. Not to my knowledge, no, huh-uh.

Q. How about this Colorado Merchants Police, do they use it?

A. No.

Q. Looking at Defendants' Exhibit 2 for identification, [fol. 7876] which is headed "Rental and Service Agreement," does this contain any provision with respect to the ownership by your company of the equipment installed on the subscriber's premises?

A. Yes.

Q. My eye doesn't hit it at the moment, but it is in there, is that right?

A. Yes, uh-huh.

Q. And has that been a provision of this type of contract in your company since you started rendering this type of service?

A. Yes, on the leased alarms; and if it doesn't apply, it's stricken from the contract.

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Q. Both of these types of contracts have been used by your company since you've been in business?

A. Yes.

Q. Do you manufacture the equipment and devices which are used by you in your protective service?

A. We started purchasing for the major portion of the [fol. 7877] time the equipment through the Mosler Research Products, which is a division of the Mosler Safe Company?

Q. Are they in business here in Denver?

A. No. No, they're in New York. Danbury, Connecticut, actually, outside of New York. The equipment that gave us the lead to some new ideas in local alarms, which we have gone to, and have made for us here locally.

Q. What are those new ideas? I'm not—or am I asking you to divulge something you don't want divulged?

A. No, this is no military secret. In local alarms, we have overcome a few objections to local alarms, namely, more noise and more lights, since local alarms are designed for one real reason, and that is to get rid of whoever it is——

Q. Scare them off.

A. —contrary to public belief that it's designed to call someone's attention to it to answer it.

Q. I mean it's your view that basically the function of that design is to scare off the intruder, the function of that type of service is to scare off the intruder?

A. Definitely.

Q. And what have these improvements done, have they increased the intensity of the sound and light in the local alarm system?

A. Yes.

Q. Is that what it's done?

A. This can vary tremendously. But these systems are, [fol. 7878] first of all, more electronic in nature rather than physical. Upon determination of an alarm, they can turn on lights, horns, turn all the lights in the building on, start up anything we want in the way of audio devices. They're noisy, to say the least.

Q. And how long have you been using this type of equipment?

A. For about a year.

Q. Do you find it to be effective?

A. Very much so.

Q. Is it your view that local burglary protective service of that type is an effective means of protection of property?

A. In many cases, more so than any. To clarify that, many businessmen have found that even with the best of silent alarms, the intruder still has occasion to do a certain amount of damage. Maybe he's caught and maybe he isn't. Whereby, the local alarm, depending on the nature of the business again, doesn't give him the opportunity to do anything. We've had instances where they've ran right through plate-glass windows getting back out of the place, so——

Q. With what type of service?

A. The local alarm.

Q. What?

A. The local alarm. It's that scare element, to get rid of them before they can grab anything and run. By the same nature, there are businesses, such as some jewelry companies, and so forth, where their merchandise is within [fols. 7879-7881] arm's reach, a broken window and a grab and a run could net them a profitable evening, and the best of silent alarms, no one could possibly respond quick enough.

Q. Neither local nor central station will protect against that type of attempt, is that right?

A. We have found that the local is—at least keeps it down to a bare minimum of loss.

Q. You think it's a better form of protection in that particular set of circumstances?

A. For most businesses in that particular type of——

Q. Yes.

A. —nature, uh-huh.

Q. And generally speaking, you think it's a very effective means of protection of property?

A. Oh, very definitely.

Q. Are there other companies that you know of that use that type of local burglary protective service?

A. There are—in Denver here, there are one or two that have started up here recently.

Q. Who are they?

A. Crown Electronics, I believe is the name of one. I understand the Power Equipment Company is also furnishing some type of equipment.

Q. Here in Denver?

A. Uh-huh.

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[fol. 7882] Q. With respect to your rental and service agreements, do you make an installation charge as well as a service charge?

A. This is also up to the customer. If we lease an alarm, the manner we go about in determining his rate is the list price of the equipment installed, then we either subtract an installation charge from that and multiply that balance times 3.5 or 4 per cent, depending upon the installation, as a lease factoring figure. This determines his monthly lease

charge. Now, in some cases, if he's a very reliable source, and so forth, there is no installation charge, it is all figured on a factoring basis.

Q. What percentage of the cases in which you have the lease type of service are represented by those in which you make no installation charge, approximately?

A. Oh, I would say probably 75 per cent of them would be. As long as their credit is such that we're not worried about their credit, then, of course, there probably would not be any installation charge, it would be strictly a——

Q. Service charge?

A. So much a month, uh-huh.

Q. Which, of course, reflects to some degree the cost of installation?

A. Yes, it's included in the price, whether they bought it or lease it.

Q. Do you handle the sales or solicitation of accounts, or is that handled by somebody else in your organization? [fol. 7883] A. We have four of us actually that handle sales, and so forth.

Q. That includes you?

A. Including myself, yes.

Q. Whom do you meet by name as competitors in this area?

A. Denver Burglar Alarm, more frequently than any, and Electrolarm.

Q. Electrolarm?

A. Uh-huh.

Q. And in what type of service do you find that Denver Burglar Alarm is a competitor?

A. Well, predominantly in the case where there is an insurance company encouraging the alarm system, they are better known, they've been here for many, many years, very often this is the case where we actually come into contact or competition with them.

Q. Based upon your experience, do you find they have an active sales group?

A. Yes. Yes, they do. Not—only, to my knowledge, one man that is with them, has ever been with them for any length of time. I believe they have other salesmen, but I have never run into them.

Q. Who is that one man? Mr. Milo?

A. Bill Milo, uh-huh.

Q. Do they solicit your accounts for their business from time to time?

A. Yes, some, not—there is no great solicitation of our business, as well as we doing theirs. Not from any agree-
[fol. 7884] ment or any such thing as that, but——

Q. But there is some, is that it?

A. Yes, uh-huh.

Q. Are those the two companies who furnish the basic amount of competition so far as your company is concerned?

A. As far as actual sales competition, where you are running into their salesmen, yes. The ADT, and Commercial Alarm, by occasion, or what have you, I have never in all of the time I have been out selling ever met a representative of ADT.

Q. But have you had situations where you were bidding for a potential subscriber's business as against ADT?

A. Well, very few. Because predominantly, ADT's systems are put in as more of an automatic thing. By the time we have occasion to talk with the business, the contract has been signed, sealed and delivered. Or if they are in a building and we are talking to the potential user, and they already have ADT's system, then generally speaking, it's not up to the local company here in Denver, it's usually controlled by someone at a home office somewhere.

Q. And do you also find in connection with bidding for a potential subscriber's business that you're—I gather this is so from what you said before—that you're bidding against Denver Burglar Alarm, also?

A. Yes, we have bid against Denver Burglar Alarm, uh-huh.

Q. With respect to what type of service, both local and central station?

[fol. 7885] A. Yes, uh-huh.

Q. Essentially in the burglar field?

A. Essentially.

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[fol. 7886] Q. Really? I suppose in the two and a half years that you've been in existence, that have both obtained

contracts and lost them in competition with these various companies that we've mentioned; is that right?

A. I don't believe we've ever lost a——

Q. When I use the word——

A. —contract.

[fol. 7887] Q. —"lost," I'm not using it in the sense of an existing subscriber, but I'm using it more in the terms of——

A. Of a bid.

Q. —of a bid for new business.

A. Oh, definitely, yes, uh-huh.

Q. I mean you've taken some and you've not gotten others, is that right?

A. That's right.

Q. Is that true with respect to all these companies?

A. Yes.

Q. ADT?

A. Yes.

Q. Denver?

A. Yes.

Q. Electrolarm, Commercial?

A. Well, more so with Denver Burglar Alarm than any of them, from a standpoint that our equipment is more—we run into Denver Burglar Alarm more than any of them. And as far as actually bidding against ADT, it's usually—I'd say at least 95 per cent of the time it's not a matter of being there in time to bid on it, it's a closed matter.

Q. Do you find that Denver Burglar Alarm follows very often the same procedure you have of not making any installation charge?

A. No. No. Primarily, by nature of their equipment, their equipment is predominantly labor—how should I [fol. 7888] put it, it can't—it cannot be——

Q. Recoverable?

A. —recoverable, it's a permanent installation, or if they do go to take it out, much of it is lost in taking it out.

Q. You're talking now, I take it, about the foil and the contacts?

A. The wire and tape and foil.

Q. And the things that upon termination of a contract are not economically removable, right?

A. That's right.

Q. You're not thinking, however, of the major types of actuating devices that might be used in addition to those things that I just mentioned?

A. No. But they're much in the minority as against the tape and foil and so forth.

Q. Is your company a member of any protective service association or——

A. Yes, we're a member of the National Burglar——

Q. National Burglar and Fire Alarm Association?

A. National Burglar and Fire Alarm Association.

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[fol. 7889] Examination.

By Mr. Story:

Q. Mr. DeLue, you stated that the type of equipment that you use in your alarm systems is a great deal more expensive than the type that is used by ADT and the Denver Burglar Alarm, is that correct?

A. On the average, yes. This—of course, they can—they can go to a system which comprises very expensive equipment, and on occasion I'm sure they do. But I am speaking of the average installation of theirs against the average [fol. 7890] installation of ours, this would be true.

Q. Let's take one of your local alarm systems of the audio sound type. What would you say would be the cost of putting that system in to your company?

A. Probably $350, I would imagine.

Q. And——

A. Now, this includes the cost of the equipment and everything, just the cost of the installation installed.

Q. Cost of the equipment and the cost to you to install it in the premises?

A. Uh-huh.

Q. Now, if this is a leased local alarm system, at the end of, say, a five-year period, what would be your recoverable value from that system once you take it out?

A. Well, our average type of equipment would be—on a local system, being of the electronic nature, and being transistorized, and having the extreme life that it does—would probably be very near a hundred per cent recover-

able, with the exception of maybe some wire, and, of course, the labor of putting it in.

Q. In other words, the type of equipment that you put into these systems is more or less of the electronic device type?

A. Yes.

Q. Which has a long life, is that correct?

A. Yes, uh-huh.

Q. And in this audio system that you have on the local [fol. 7891] level, could you describe how you make an installation for a local alarm system?

A. Well, the basic unit of ours being an electronic unit which is adaptable to running microphones off of, which these microphones are placed in strategic points around the building, depending on the size and nature of the building. In addition to this, door bugs are connected to key-operated doors, any point of entry which can be made silently. As an alarm signal itself, we use tripping devices to turn on lights, we install floodlights, klaxon horns. The unit itself is battery-operated, which in turn triggers all of these devices, and also rings an outside under-dome bell.

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[fol. 7892] Q. I think you testified that you ran into competition from ADT and the Denver Alarm more often than you did the local alarm companies because they were after the same type of business. Did you make that statement?

A. Yes, that would be predominantly true.

[fols. 7893-7895] Q. What do you mean by that, sir?

A. Well, we—having these back-up services so much, we are much more interested in getting the larger business or we would like to try and get the larger business from the standpoint of our equipment being more designed to this type of business. We can go in and protect a very large warehouse, we feel, more securely than anyone with less time involved and less cost to them of putting the system in and less cost to them of maintaining and operating the same system.

Q. Why can you do that, sir?

A. By the nature of our system, we're not—we don't stick to any one type of equipment, we predominantly are using various—many various systems put together all in one

package, more in the electronic field than any, thus we do not get into the tremendous amount of labor and what we feel is nuisance trouble from a standpoint of a lot of man-made trouble traps, such as tape and foil and wire, a lot of wire, in the way of everyday working conditions presents.

Q. In other words, I take it that by the use of installing microphones strategically in these large buildings, your system enables you to cut down much of the work of foiling windows and trapping doors and skylights, and so forth, is that correct?

A. Yes, uh-huh.

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[fol. 7896] Q. Mr. DeLue, did you ever have an occasion to bid on the protection account of the Sylvania Corporation?

A. Yes. We were called in to give them, the local manager, a quote, following a break-in of their building, as well as the other tenant in the building, which had been successfully circumvented.

Q. Did this building have any protection service in it at the time it was burglarized?

A. Yes. The Sylvania Corporation had the ADT service, and the adjacent one had Denver Burglar Alarm.

Q. Did you bid on the protection account for this company?

A. Yes, we did, from a standpoint of the burglary. And then they also wanted to follow their adjacent customer tenant and get a bid on fire detection, also.

Q. Well, were you able to furnish the fire detection that they required?

[fols. 7897-7898] A. Well, it started first of all—yes, we ended up putting the fire detection in. More on the insistence of their adjacent tenant, because they were the owners of the building and they also put it in. The first answer, or first correspondence that we had with them and their home office, was to no avail on the burglar protection at all. Upon four or five more letters, this local manager was very upset and definitely wanted our system in there. The home office came out to investigate this, so it was going to be in town, and we were going to bring it up with them at the time, and the matter was considered closed

very shortly thereafter, that they were to continue using ADT. However, the local manager's efforts, as I understand it, to get ADT to come out and also put in additional fire detection was never responded to by ADT, no one ever came out at all. So finally, he did get permission for us to go ahead and put the fire detection in.

Q. What kind of fire detection did you install?

A. A local fire detection system, which in turn will trigger the—their adjacent customer's—or tenant's alarm, burglar alarm.

Q. In other words, your company has the adjacent company's burglar alarm system tied into your central station?

A. Yes.

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[fol. 7899] Q. And your company conducts sprinkler su-
[fol. 7900] pervisory and water flow alarm service?

A. Yes, we can. We do not have any as yet.

Q. Is it necessary to obtain approval from any of the insurance organizations in order to furnish this type of service?

A. Yes, it is.

Q. Does your company have that approval?

A. No, it doesn't at this time. It could obtain it, I suppose.

Q. Mr. DeLue, the equipment that you use in your service, has that equipment been approved by Underwriters Laboratories or any of the other insurance organizations having jurisdiction over protection service?

A. Some of the equipment we use is Underwriters approved from the manufacturer. Predominantly, no. However, any insurance companies here locally which we have had occasion to show the equipment, and who have the authority or power to grant discounts upon their investigation, they have all approved the equipment and given discounts.

Q. Let's take your major audio device which you tie all of the fingers of protection into. I think that's made by the Mosler Safe Company, is it not?

A. Yes.

Q. Has that received Underwriters Laboratory approval?

A. No, it hasn't.

Q. In that regard, do you have any central station protection service of the conventional type which is not tied [fols. 7901-7903] into your audio sound protection systems?

A. A few.

Q. A few. How do you receive that in your central station?

A. By a light and a buzzer indicating the particular subscriber, which is—the alarm is transmitted over phone lines.

Q. In other words, you have a panel for conventional types of central station protection service other than your audio or listening sound board in your central station?

A. Yes.

Q. Would you tell us how many of those accounts you have tied into your central station?

A. Maybe 10.

Q. 10. Have any of your protection service, either of the conventional type or the audio sound type, been approved by either Underwriters Laboratories or the Pacific—not Pacific—the Mountain States Rating Bureau?

A. No.

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[fol. 7904] Q. Mr. DeLue, on your audio sound central station protection accounts, is it possible that unusual noise in the vicinity of the subscriber's premises could set the alarm off as distinguished from an intrusion into the premises?

A. It definitely could.

Q. What types of noise would trigger your alarm in your subscriber's premises, other than an intrusion?

A. Inside noises or outside, or both?

Q. Any noise that might trigger your alarm which is not actually an intrusion into the premises by a burglar.

A. Well, there are many—an emergency vehicle with a siren on the outside. We have places located near the airport where a jet plane might trigger it. Generally speaking, we could filter out most noises and expected noises. We do have some places where a backup in water pressure will create a tremendous bang in the piping. These things, though, generally speaking, all of these things, are easily detectable by monitoring and determining the cause.

Q. Now, would that be true also in your local alarm systems where you have the audio sound systems?

A. Those, you would definitely get an alarm from an outside source such as those, or an inside source. But we have an automatic reset feature, which if it is a one-time, or a two-time noise, that would automatically reset the [fol. 7905] alarm, and thereby not causing a nuisance, and so forth.

Q. Mr. DeLue, what type of power is used in your audio electrical protection systems?

A. Battery power.

Q. Battery power. Is that battery power supplemented from your local electrical current?

A. On occasion.

Q. Could you tell us approximately what the life of these batteries would be in your systems?

A. Approximately eight months to a year.

Q. Now, in your central station audio protection systems, are those systems powered by batteries?

A. Yes.

Q. In the event that those batteries grow weak, where the signal was not operating, would that flash a trouble signal or would there be an indication coming into your central station as a result of that?

A. We have an indication coming in, but we also physically check these periodically, and usually determine that this is getting down there before we get this indication.

Q. Is there some means at your central station by which you could check the battery situation?

A. Yes.

Q. How do you do that, sir?

A. With meters which we hook into the system and determine this.

[fol. 7906] Q. All right. Mr. DeLue, on your patrol service, could you tell us when and how many times a subscriber's premises is visited by your patrol service?

A. Well, this, of course, is up to the subscriber, and his rate is based on that accordingly. But the average probably would be about four to six times a night, depending.

Q. What was that last?

A. Four to six times a night, four would be probably the average.

Q. And when would those inspections occur, sir, approximately?

A. Well, they vary, also, but generally speaking two before midnight and two afterward.

Q. Now, on your local audio sound protection systems, does the owner of the premises have to set the alarm at closing time, at night?

A. A few—on the local alarm?

Q. Yes.

A. Yes.

Q. Have you ever heard of any instances where they'd forget to set the alarm?

A. Yes. But generally speaking, most of them are also checked by the patrol for this.

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[fol. 7907] Q. Mr. DeLue, does the Police Department of the City of Denver allow alarm systems to be tied into the Police Department?

A. A few.

Q. What types?

A. Predominantly banks and City and State properties that would be wired.

Q. Have you ever attempted to tie one of your systems into the Police Department?

A. In Denver, no, we haven't attempted it. We've discussed this with them, and they aren't eager to get into the burglar alarm business.

Q. Well, would they allow you to do that?

A. No.

Q. What about the Fire Department here? Does it allow fire alarm systems to be tied to it?

A. No. They do allow a few sprinkler systems, I understand, to be hooked into their call boxes, which would be predominantly the same thing, when the alarm goes off it trips the corner box and the corner box in turn goes into the fire alarm headquarters. We have never been allowed to, no.

Q. Can you tell us what types of businesses or institu-

[fol. 7908] tions are allowed to tie in to the local fire alarm—I mean the municipal fire alarm systems?

A. No. I'm not real sure there is any rhyme or reason to it.

Q. Well, are they commercial businesses or——

A. Yes.

Q. —state institutions?

A. Both.

Q. Both? Do you have any idea of how many systems such as that exist here?

A. I have no idea whatsoever.

Q. Are there many?

A. I really don't know. I have no idea.

Q. Well, have you ever attempted to tie a fire alarm system in to the City Fire Department?

A. Yes, we've approached them on this.

Q. What did they tell you?

A. That it wouldn't be allowed.

Q. And how long ago did you approach them?

A. About a year and a half ago.

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[fol. 7909] Further examination.

By Mr. Fritz:

Q. Mr. DeLue, does each category of commercial and industrial establishment which you serve use both your local burglar alarm service and your central station alarm service, I mean individual unit, use one or the other?

A. State that again, please.

Q. All right, let me explain it to you this way: Take a group of retail jewelers, for example, in the city. Do some of them use your purely local burglary protective service and some use central station burglary protective service?

A. Yes.

Q. And similarly, is that true with respect to various other categories of commercial establishments and industrial plants?

A. Yes.

Q. Some will use one type of service——

A. Yes.

Q. —and some the other?

A. Yes.

Q. Is that correct?

A. Yes.

Q. How about government properties, do you protect any of those here in Denver?

A. We from time to time have had guard or patrol duties on government properties, and we have submitted bids on [fol. 7910] some alarm situations, and so forth.

Q. What type of alarm service?

A. Well, sprinkler supervision, or burglar detection, intrusion detection, and so forth.

Q. Local or central station?

A. Yes.

Q. Or both?

A. Central—well, a little of both, some of it is plant security where it's actually a central station system but it's piped into their own office.

Q. Proprietary system, so to speak?

A. Yes, uh-huh.

Q. And in other instances you have provided the government protection through the use of patrol and guard forces and watchman forces, is that correct?

A. Yes.

Q. Has that been true for many years?

A. Yes.

Q. How many, approximately?

A. Well, since the origination of Frontier Guard, they have provided guards for government agencies and places as far back as I know, maybe ten years.

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[fol. 7911] Q. Now, I understood you to say in response to one of Mr. Story's questions that you have some subscribers who receive discount service because some particular insurance companies recognize the merit of your service for discounts to some of your subscribers, right?

A. Yes.

Q. Does that apply both in the field of local and fire—I mean burglary and fire?

A. Not in—well, yes, predominantly in the burglary, but I believe some attention is given to the local fire, also.

Q. That is a matter of volition, I take it, on the part of insurance company involved, correct?

A. Yes, it's a matter of their volition, and also a matter [fol. 7912] of the type of insurance carried. In other words, predominantly bailee policies that are determined upon the individual merits of a system, and the customer, as against the automatic type of thing that the rating bureau grants without knowledge of this.

* * * * * * *

Q. How many employees do you now have in your company, including yourself and those of your brothers who are actively associated with you You're probably not employees, you're officers, but I'm trying to find out how many people you have who work in the business.

A. Approximately 22.

Q. 22. And how does that compare with the number that you had last year, and the year before?

A. Probably an increase of a third or so.

Q. Each year?

A. No. An average before would have been maybe 15, and now we are probably using 22, since our alarms have come into being.

Q. Yes. In response to one of Mr. Story's questions, you said that your devices for the most part are not approved by the Underwriters Laboratory or the Mountain States Inspection and Rating Bureau; is that correct?

A. That's correct.

Q. Have you sought approval of those devices from either of those agencies?

[fol. 7913] A. No. We had sought means of doing so, yes, I have to take back my first "no" there. Because of the nature of the equipment, and of their standards, and so forth, it is a big thing for us to overcome, any time something new comes along in the field. We have adapted our systems more to government specifications from the standpoint we feel they're more rigid, and they pay literally no heed to Underwriters Laboratories in the case of intrusion alarms.

Q. What are the government specifications that you refer to now?

A. Well, generally speaking, this is very open to inspection by them on the particular case that they want. They——

Q. Well, are they written? Are they a written set of inspection——

A. No, they will vary in every case. They will write a set of specifications on any one particular thing.

Q. And what is the branch of the government that you refer to that does this?

A. Well, this again varies in every case.

Q. It differs depending upon what particular premises is under the jurisdiction of what particular government department, is that the way it is?

A. Nature and extent.

Q. Do I take it, then, that you have had occasion to, or perhaps do now, render service to government installations using the equipment that you normally use in your——

A. No.

Q. —local burglar alarms?

A. No, we don't.

[fols. 7914-7915] Q. How would you know that your equipment conforms with government specifications?

A. Well, the designers of the——

Q. Conforms to..

A. I beg your pardon?

Q. Conforms to government specifications.

A. The designers of the equipment, which is the Mosler Research Products, predominantly, I would dare say that 90 per cent of their business is to the government, and their equipment is designed and adapted to government specifications. This is what leads me to say this.

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[fol. 7916] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W28a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

CIVIL ACTION No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION, AMERICA DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of ARTHUR WILLIAM FRUH, pursuant to notice and subpoena duces tecum, and to the Federal Rules of Civil Procedures, before ALAN R. KIDSTON, Commissioner, at Suite 2360, 135 South LaSalle Street, Chicago, Illinois, on Tuesday, September 12, 1961 at the hour of 9:00 o'clock a.m.

* * * * * * *

[fol. 7917] ARTHUR WILLIAM FRUH, having been first duly sworn by the Commissioner to tell the truth, was examined, deposeth and saith as follows:

Examination.

By Mr. Kidston:

* * * * * * *

[fol. 7918] Q 1. State your name and address.

A. Arthur W. Fruh, 4239 North Bell, Chicago.

Q 2. Are you connected with any business venture engaged in furnishing protection against losses by fire, burglary or other hazards?

A. Yes.

Q 3. If so, state the name and principal office of such business venture, which hereafter will be called your firm.

A. A. W. Fruh & Company. The new address is 1815 Orchard Street, Chicago 14.

Q 4. State whether your firm is a corporation, partnership or other form of business venture.

A. It is a corporation.

Q 5. State the position which you occupy in your firm, and describe all of your duties in such position.

A. Well, I own the firm outright, without debts of any [fol. 7919] kind, so it is all mine.

Q. And describe your duties in such position.

A. Well, I would say complete operation.

Q 6. How long have you and your firm been in the protective business or protective service?

A. Over 30 years.

Q 7. Does your firm provide protection against losses by:

a. Fire?

A. I would say no to that question. We provide equipment. We provide equipment to advise of the fire, yes, or burglary, holdup, whatever it is.

Q 7. b. Burglary?

A. Yes.

Q 7. c. Malfunction of machinery?

A. Some of our alarms do protect that. My Rockford dealer has a bunch of chain stores here, and he has freezer protection for them, yes.

Q 7. d. Negligence of personnel?

A. No, we don't.

Q 7. e. Other hazards, and, if so, specify such other hazards.

A. Oh, we protect sprinklers. If the water pressure goes down, the alarm comes in. Yes, sprinkler and fire protection.

[fol. 7920] Q. Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system furnished.

A. Well, we supply burglary, fire and holdup, Underwriters Laboratories approved.

Q 9. State whether your firm furnishes central station electric protective service.

A. Only in suburbs.

Q. If so, designate each hazard against which such service is provided.

A. I would say burglary, fire and holdup. That would cover that one.

Q 10. State whether your firm furnishes direct-connected alarm service, in other words, alarm services in which the subscriber's premises are connected by wire directly to local police or fire departments.

A. Yes, we do.

Q. If so, designate each hazard against which such service is provided.

A. Well, the same thing, burglary, fire and holdup.

Q 11. State whether your firm furnishes local alarm service. If so, designate each hazard against which such service is provided.

[fol. 7921] Yes. Well, burglary, fire and holdup.

Q 12. State whether your firm furnishes protective service by use of telephone answering service. If so, designate each hazard against which such service is provided.

A. We don't, but some of our dealers do, yes.

Q 13. State whether your firm furnishes auxiliary alarm services, in other words, manual or automatic alarm devices directly connected to municipal alarm systems.

A. Yes.

Q 14. State whether your firm furnishes proprietary alarm systems, that is, an integrated alarm system owned or operated by a customer or its employees.

A. Yes, we do.

Q. If so, designate each hazard against which such service is provided.

A. Both burglary and fire.

Q 15. State whether your firm sells alarm systems.

A. Yes.

Q 15. b. State whether your firm installs alarm systems.

A. Yes.

[fol. 7922] Q 15. c. State whether your firm services alarm systems.

A. Yes, we do.

Q 15. d. Whether your firm contracts with customers to install alarm equipment and provide protective services.

A. Yes, we do.

Q 15. e. Your firm's customery contract period.

A. You have a copy.

Q 15. f. Whether title to equipment and devices installed on subscriber's premises is retained by your firm.

A. Some we do; some we don't.

Q 15. g. Whether upon termination of a contract for protective services, your firm removes from the subscriber's premises the installed equipment.

A. We do.

Q 15. h. Whether your contracts for protective service provide for automatic renewal upon expiration of the original term.

A. A 30-day cancellation clause applies for both parties.

Q 16. If your firm sells alarm systems state the approximate gross revenue or best estimate thereof derived by your firm in each of the past five years from sales of [fol. 7923] each type of alarm system.

A. I have to get that for you. I can't remember it this morning, but I will supply it to you.

Q. All right.

State the geographic area in which such sales are made.

A. In the United States and seven or eight foreign countries.

Q 17. What portion, if any, of such sales were made to wholesalers, electrical contractors and persons other than the ultimate users of such systems.

A. I will have to get you that.

Q 18. State the number of persons employed by your firm, the categories or types, in other words, salesmen, installers, repairmen, guards, and so forth, of employees, and describe generally the duties of each such category or type.

A. I have 20 employees, I believe, at the present time: Four in the office, three outside installers, and the balance are just shop and manufacturing.

Q 19. If your firm contracts with customers to provide alarm service, state for each of the past five years and for each type of protective service:

a. The approximate gross revenue derived by your firm from such service contracts.

[fol. 7924] A. I would say it is 95 per cent burglary and 5 per cent fire and holdup.

Q. What is the approximate gross revenue?

A. On the service, about $80,000.00 a year.

Q 19. b. The approximate number of your firm's customers.

A. Approximately 540.

Q 19. c. The basic rates charged by your firm.

A. It goes from $5.00 a month to $190.00, depending on the size of the place.

Q 19. d. The method of computing your firm's basic service charge.

A. The rate is based upon condition and the size of the place.

Q 19. e. The approximate net amount of capital invested in your firm's business.

A. Well, it is about $200,000.00, I would say.

Q 20. If your firm contracts with customers to provide alarm service, state whether your firm makes an initial or installation charge for equipment installed on customer's premises.

A. We do in all cases.

Q. If so, state the method by which such charge is computed and the time when it is paid by the customer.

[fol. 7925] A. The price is based upon the size of the premises, whether the windows are steel or wood. The new type front doors are very expensive to wire, and if the finest grade of work is done, more money has to be charged as all wires have to be fished into the channels.

That should answer that question.

Q. When is it paid by the customer?

A. Payable when the bill is sent. They don't all pay.

Q 21. If your firm contracts with customers to provide alarm service, describe the geographic area in which the firm's customers are located.

A. I can say from Fort Madison, Iowa to Michigan City, Indiana. Also our alarms are sold to dealers throughout the United States and seven or eight foreign countries.

Q 22. State which, if any, of your firm's alarm systems or services are accredited, approved or certified for the purpose of insurance premium discounts by insurance or underwriting organizations.

A. It may be a little difficult to answer that. Those approved by the Underwriters Laboratories, the Ace, No. 101, No. 102, approved gong alarm system, and the Ace A, [fol. 7926] No. 103 and 105 units are the approved units.

The ones that are approved are listed in the catalog, which is marked ADT Chicago Exhibit 3.

Q 23. State the approximate number of your firm's customers, if any, who receive protective service of a kind which would qualify for insurance premium discounts.

A. Approximately 374.

Q 24. State all services, systems, devices and means which compete with your firm in furnishing protection against loss by fire, burglary and other hazards.

A. I would say the central station companies are some competition to us, and the patrol services are also some competition to us.

A man will have hourly watch service, and figure that is good enough, and won't buy an alarm.

Q 25. State whether the following compete with the type or types of protection furnished by your firm:

a. Central station electric protection service accredited by insurance inspection and rating organizations.

A. That does compete against us.

Q 25. b. Central station electric protection service not [fol. 7927] accredited by insurance inspection and rating organizations.

A. Yes, that would compete with us, too.

Q 25. c. Direct connected alarm service.

A. Oh, yes, definitely. Sure it does.

Q 25. d. Local fire alarm service.

A. Yes.

Q 25. e. Local burglar alarm service.

A. Yes, sir.

Q 25. f. Local alarm systems monitored by central stations.

—.

Q 25. g. Telephone answering alarm services.

A. Yes.

Q 25. h. Auxiliary fire alarm service.

A. Yes.

Q 25. i. Proprietary alarm systems.

A. Oh, yes, that would compete against us.

Q 25. j. Watchmen, patrols and guards.

A. Yes.

Q 25. k. Watchman's portable clocks.

A. Yes.

Q 25. l. Insurance.

A. Yes.

Q 26. State the names and addresses of your firm's com-
[fol. 7928] petitors and specify the services, systems, devices or means of protection furnished by each such competitor.

A. My principal competitors are ADT, Central Watch, Kedzie Patrol, Certified Alarm, CoOperative Alarm Company, Eveready Alarm Company, New Way Alarm Company—those would be the principal ones.

Q. Can you specify the services, systems, devices or means of protection that they supply?

A. About everything we do.

Q 27. State whether during the past five years the number of your firm's competitors has:

a. Increased?

A. Yes, they have.

Q 27. b. Decreased?

A. No.

Q 28. What is the best estimate of the percentage of the total protective service business your firm has in its area of operations?

A. I can't answer that question.

Q 29. What is your best estimate of the percentage of total sales of alarm systems made by your firm in the area of its operations?

A. In Chicago, I would say about 10 per cent. I think that
[fol. 7929] is conservative.

Q 30. In your opinion, have the percentages stated in your last two answers changed in the past five years?

A. Yes.

Q. If so, describe such changes.

A. I believe we are getting more business.

Q 31. State the basis of the opinions or estimates given in answer to the previous three questions.

A. It is a guess that I have 10 per cent. There are approximately 25 companies listed in the phone book, and it is my guess that there must be, well, close to 50 small companies doing business out of their homes.

It is my estimate or guess that we get about 10 per cent of the business.

Q 32. State as to each of the past five years whether or not your firm's protective business has yielded a profit.

A. It has.

Q 33. State:

a. Whether your firm maintains any standard price lists or schedules.

A. It does.

Q. Do you have copies?

[fol. 7930] A. Yes. I will send you a discount sheet.

Q 33. b. Whether your firm charges all subscribers to the same type of service at a uniform rate.

A. No.

Q 33. c. If your charges vary between customers, the nature of and reason for such variations.

A. Different conditions.

Q 33. d. State whether the variations in such charges are based on the nature of the subscriber's premises.

A. Yes.

Q. The length of the service contract.

A. No.

Q. And the distance of the subscriber's premises from your firm's place of business.

A. Yes, that would affect it.

Q. If other factors enter into such variations, state each such factor.

A. Corrosive conditions, destruction by the customer, bad conditions of the buildings, et cetera.

Q 34. If your firm manufactures protection equipment, describe the articles manufactured and state the dollar volume thereof for each of the past five years.

A. Well, the catalog gives it to you, and the prices. We [fol. 7931] could give you the total volume of all of them. That we are doing close to 300,000 a year, and I think it is about 50-50, 50 service and 50 manufacturing, but that is swaying over the manufacturing side as we are getting away from the installations.

Q 35. State the principal suppliers of protection equipment, if any, purchased by your firm and state whether the equipment required in your firm's protection business is readily obtainable.

A. The ARF Company of River Forest and the Walter Kitty of Clifton, New Jersey.

Q. Is it readily obtainable?
A. Yes, it is readily obtainable.

* * * * * * *

[fol. 7932] Cross-examination.

C X 1. Does the City of Chicago allow the connection of auxiliary alarm systems or direct connected alarm systems to city fire and police stations?
A. No, not ours.
C X 2. If your company provides local fire alarm service, submit the following information for each year from 1955 to 1960:

a. The approximate number of subscribers to local fire alarm service.
A. About 25, I would say.
C X 2. b. The names and business addresses of subscribers to the local fire alarm service provided by your company who discontinued this service and subscribed to central [fol. 7933] station fire alarm service provided by your company or any other company.
A. I don't know of any.
C X 2. c. The names and business addresses of subscribers who discontinued central station fire alarm service provided by your company or any other company and subscribed to the local fire alarm service provided by your company.
A. No. I don't know of any.
C X 3. If your company provides local burglar alarm service, submit the following information for each year from 1955 to 1960:

a. The approximate number of subscribers to local burglar alarm service.
A. 540 that we have there on that Underwriters business here.
Q. For each year from 1955 to 1960?
A. In 1955 they were up to about 600, and they are dwindling down because we are not looking for new business.
C X 3. b. The names and business addresses of subscribers to the local burglar alarm service provided by your company who discontinued this service and subscribed to

central station burglar alarm service provided by your company or any other company.

[fol. 7934] A. I cannot remember them, but I will get them for you, the names and addresses.

CX 3. c. The names and business addresses of subscribers who discontinued central station burglar alarm service provided by your company or any other company and subscribed to the local burglar alarm service provided by your company.

A. We haven't any.

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[fols. 7935-7937] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W29a

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, ET AL., Defendants.

Deposition of GERBER & COMPANY, INC., by HARRY GERBER, taken on behalf of defendants, at 605 West Olympic Boulevard, Los Angeles, California, commencing at 10:00 A.M., Tuesday, October 31, 1961, before Julian R. Schwab, C.S.R., Notary Public, pursuant to notice and Federal rules of civil procedure.

* * * * * * *

[fol. 7938] HARRY GERBER, having been first duly sworn, deposed and testified as follows:

Direct examination.

By Mr. Fritz:

Q. Mr. Gerber, what is your residence address, please?
A. 2907 East Chevy Chase Drive.

* * * * * * *

Q. What is your occupation, Mr. Gerber?
A. I am self-employed.
[fol. 7939] Q. In what?
A. Protection business.
Q. What is the name of the company in which you are engaged in the protection business?

A. Not the one named in the subpoena.
Q. What is the one you are associated with?
A. Gerber & Company.
Q. What office do you hold in that company ?
A. I am the owner of the company.
Q. Where is that company's place of business?
A. Glendale.
Q. Are you engaged in any other type of protective business except through that company?
A. No.
Q. Now, what was the name of that protective service company?
A. Gerber & Company.

* * * * * * *

[fol. 7940] What type of protective service does Gerber & Company render?
A. Burglar alarms, insurance, and guard service.
Q. How long has that company been engaged in that type of business?
A. 1946.
Q. Prior to that time were you engaged in any form of protective service?
A. Yes.
Q. Where?
A. Law enforcement.
Q. You were a police officer, were you not?
A. Yes.
Q. Where?
A. Glendale.
Q. Did you retire from the force?
A. Well, if you are referring to a pension, no.
Q. But I mean, you left the force?
A. That is all I am talking about, yes.
Q. From that time in 1946 you have been engaged in the protective service of the various kinds that you mentioned a moment ago, is that right?
A. Yes.
Q. What is the location of your place or business?
A. 311 North Verdugo Road.
Q. Is that Glendale, or Los Angeles?
[fol. 7941] A. Glendale.

Q. Now, is your protective service business a local business, or a central office business, or both?

A. Both.

Q. Which of those businesses came into being first?

A. Local.

Q. What area does your business serve?

A. Glendale, generally.

Q. That is geographically an area of approximately what?

A. How do you mean that?

Q. Well, let me put it this way. What is the radius of the distance that you afford protection?

A. East-west about 40 miles.

Q. North-south?

A. Perhaps ten or twelve.

Q. Does that distance apply approximately equally with respect to all types of your protective service?

A. No, sir.

Q. Is that the maximum distance that is serviced through your central station or your local?

A. Both.

Q. Now, when you started in 1946, approximately how many customers did you have for your local business?

A. Zero.

Q. You started with none?

[fol. 7942] A. None.

Q. Did you have any other customers for any other type of protective service at that time?

A. Yes, the insurance business.

* * * * * * *

Mr. Fritz:

Q. How long did you continue in the local burglar alarm business with zero customers?

A. Oh, a couple of weeks, as I recall.

Q. Then, at the end of the first year how many customers did you have?

A. Oh, I don't recall. Very few.

Q. Approximately.

A. I couldn't recall.

Q. Did the number of customers increase as the years went on?

A. Yes.

Q. At the present time you do some local burglar alarm service, do you?

A. I try to.

Q. Well, you actually do, do you not?

A. Yes.

Q. How many customers for that type of service do you have?

A. As of——

Q. As of the present time.

[fol. 7943] A. About 525.

Q. Does that represent more customers than you had, say, for example, for the year 1955?

A. Yes.

Q. Has there been an increase from 1955 annually up to the present time?

A. Well, there has been an increase and a decrease, both.

Q. Do you mean in some years it was an increase and some years it was a decrease?

A. Yes.

Q. Do you have the approximate figures?

A. Yes.

Q. Could I have them, please.

A. What year do you want to start with?

Q. 1955.

A. 475.

Q. I beg your pardon?

A. 475.

Q. 1956?

A. 502.

Q. 1957?

A. 535.

Q. 1958?

A. 559.

Q. 1960?

[fol. 7944] A. You missed '59.

Q. Did I?

A. 565 in '59.

Q. All right. 1960?

A. 566.

Q. And as of the present time?
A. You asked local now?
Q. That is right.
A. Your question was local?
Q. These are all local, are they not?
A. Well, they are not now all local. Approximately 520 local now.
Q. What accounts for the fact that there are seemingly fewer local accounts now than in the prior years?
A. Well, approximately 40 of them have been switched to central station.
Q. Your own central station?
A. Yes.
Q. Going back now to the local for the moment, could you give me the approximate gross revenue figures for the same years?
A. I would have to have the accountant answer that.

Mr. Fritz: Will you answer that, Mr. Barnes, please.
Mr. Barnes: In 1955, $35,988.
[fol. 7945] Mr. Fritz: Does that include the total of installation charges and service charges?
Mr. Barnes: That is all charges, yes.
Mr. Fritz: All right. 1956?
Mr. Barnes: 1956 was $37,717.98.
Mr. Fritz: 1957?
Mr. Barnes: $40,728.91.
Mr. Fritz: 1958?
Mr. Barnes: $40,828.
Mr. Fritz: 1959?
Mr. Barnes: $49,018.81.
Mr. Fritz: 1960?
Mr. Barnes: $51,753.25.
Mr. Fritz: Do you have any figures thus far for 1961 to date?
Mr. Barnes: $45,626.27.

Mr. Fritz:

Q. Mr. Gerber, you adopt as your testimony those answers given by Mr. Barnes, do you not?
A. I do.
Q. He is the accountant for your company, is that correct?

A. C.P.A.

Q. Now, those customer figures and revenue figures that we have been referring to as local are derived from that type of service, as I understand it—and you correct me if I am wrong on that—in which there is an installation [fol. 7946] on a customer's premises of a device which sounds a warning in the form of a gong or a ringing of a bell on the outside of a customer's premises, and there is no connection with any central station, is that correct?

A. That is a local, yes.

Q. Now, is that the type of local that is represented by this number of customers that you have been giving me?

A. Yes, sir.

Q. And the revenue?

A. Yes, sir.

Mr. Barnes: Not the revenue.

The Witness: No, not the revenue. The revenue includes the centrals for this year also.

Mr. Fritz:

Q. The revenue also includes the central station operation?

A. For this year.

Q. When did you begin your central station operation?

A. March of this year.

Q. Was it at this time that the 40 customers who had theretofore been in the local field, had been receiving local protective service, switched over to central station?

A. Well, not in March. Since that time.

Q. That time, or since that time, is that correct?

A. Yes.

Q. Has your local burglar alarm service which you have [fol. 7947] been providing since 1946 to the number of customers that you have testified to, from 1955 to 1961, been of the approved type or the unapproved?

A. Unapproved.

Q. Unapproved?

A. Unapproved.

Q. When I use the word "unapproved" I mean it is a type of service which does not entitle the subscriber to any discount from the normal insurance premium that he would otherwise have to pay; is that your understanding?

A. I wouldn't be able to answer your analogy of it. I would merely state that it is not certificated by the Underwriters' Lab.

Q. Is your central station operation an approved operation?

A. No, sir.

Q. Do you have an application pending for approval?

A. No, sir.

Q. Of what type of protective service does your central station service consist?

A. I don't understand your question.

Q. Is it only burglary protective service?

A. No, sir. We have hold-up also.

Q. What is hold-up service?

A. What is hold-up service?

Q. Yes.

[fol. 7948] A. Now I am confused. What do you mean by "What is hold-up service"?

Q. I ask you to describe it. What is it?

A. Well, when the customer is being held up, if they trip a certain instrument, a signal is received and of course the proper authorities are dispatched.

Q. Normally used in banks, is it not?

A. I wouldn't know that. We have none in banks.

Q. I beg your pardon?

A. We have none in banks. I wouldn't know whether they use it or not.

Q. What kind of establishments do you have your hold-up service in?

A. Markets.

Q. Markets?

A. Yes.

Q. Normally that provides for the manual operation of some triggering device by a person who is perhaps being held up, isn't that right?

A. By a triggering device, yes.

Q. Manually operated?

A. Yes.

Q. Either by the foot or the hand?

A. Yes.

Q. And when opened, transmitting a signal over telephone wires to the central station, is that correct?

[fol. 7949] A. Yes.

Q. Do you have any other type of central station service besides burglar alarm and hold-up?

A. No, sir.

Q. No fire?

A. No.

Q. Do you engage in the type of service that is normally known as direct-connected or remote station control service?

A. Direct-connected.

Q. Where do you have such service? In what localities?

A. Monrovia, Arcadia, Azusa and Baldwin Park.

Q. What are the approximate number of customers that you have for direct-connected service in those areas?

A. Fourteen all told.

Q. Are they in terms of customers and in terms of revenue included in the figures which Mr. Barnes has given me?

A. Yes.

Q. In what category did you put these 14 direct-connected; in the category of central station, or in the category of local?

A. In the category of central station.

Q. What is the total number of central station subscribers [fol. 7950] you have now?

A. About 54.

Q. And 14 of those are these direct-connected customers?

A. Yes.

Q. The other 40 were those that changed over from your local service to your central station, right?

A. Yes.

Q. When you entered this field in 1946 were there any other companies doing protective service either of a local or central station variety in the area in which you operate?

A. Oh, yes, many of them.

Q. How many central station?

A. A. D. T. at least.

Q. That is one. How many others?

A. You asked me a question about local or central station and I said, "Many."

Q. Now I am asking you about central station.

A. To my knowledge, A. D. T.

Q. Who are some of the other local burglar alarm companies?

A. U. S., Coast, Morse, Los Angeles Alarm Company, Monarch.

Q. Monarch, by the way, is now about to enter the field of central station service in Los Angeles, is it not?

[fol. 7951] A. I wouldn't know.

Q. I am just asking. All of these companies that you have mentioned, had they been in business for some time prior to your advent into that field?

A. Yes, sir.

Q. Do I gather from what you said that you do not furnish any of this protective service of any type in Los Angeles proper? Or am I wrong about that?

A. Are you referring to the alarm business?

Q. Yes. I am referring to protective service of any kind.

A. We have a lot of insurance accounts in Los Angeles.

Q. What kind of insurance?

A. Casualty lines of insurance.

Q. Do you have a great many customers for that?

A. Yes. We have quite a sizeable agency.

Q. Approximately how many?

A. Oh, I wouldn't be able to hazard a guess. It is many.

Q. Would you know whether it was in the hundreds?

A. Oh, it would probably be nearer the thousands.

Q. And the revenues that you derive from that type of protective service, I take it, are the commissions on the sale of insurance, is that correct?

A. Yes.

[fol. 7952] Q. I don't want to know the exact figures but approximately what does that amount to on an annual basis?

A. I would have to refer back to the accountant again.

Q. That is all right.

Mr. Fritz: If you have it for the years we mentioned before I would appreciate it.

Mr. Barnes: 1955 it was $3634.95.

1956 it was $4,200.

1957—I don't seem to have that sheet that has 1957 on it.

Mr. Fritz: That is all right. Skip it.

Mr. Barnes: '58, $4,809.78.

1959, $5,853.44.

And in 1960, $7816.02.

Mr. Fritz:

Q. Now, what categories of commercial life or industrial life—and by that I mean what types of businesses—are included in those to whom you furnish and have furnished, since 1946, your local burglar alarm service?

A. Retail establishments, basically.

Q. Like jewelry stores, liquor stores?

A. Liquor stores, clothing stores.

Q. Clothing stores?

A. Department stores.

Q. In general all types of——

[fol. 7953] A. General run of retail business.

Q. Is that only in the Glendale area, or does that include some establishments here in the City of Los Angeles?

A. A few in Los Angeles.

Q. But mostly in Glendale and surrounding areas, is that correct?

A. East-west about 40 miles from Glendale, 20 each way.

Q. Do you use written contracts for your service, both of your local burglar alarm and central station?

A. Yes, we do.

Q. Do you have sample forms with you?

Mr. Fritz: I ask that this type of contract be marked for identification in this deposition as Defendants' Exhibit 1.

(The document referred to was marked by the notary public as Defendants' Exhibit 1 for identification, and is attached hereto.)

Mr. Fritz:

Q. I haven't had a chance to read this contract, Mr. Gerber, but I presume it contains a provision whereby the company, that is, you, retains the title to the equipment installed on the subscriber's premises, is that correct?

A. Yes.

Q. Is that a provision which has been in your contract [fols. 7954-7955] ever since you have been in business?

A. Since we have used the contracts.

* * * * * * *

[fol. 7956] Q. Do you have a greater number of employees in your business now than you had in 1946?

A. Yes.

Q. How many do you have now?

A. About 125.

Q. In what categories are they? How do they break down? Guards?

A. Mostly in the guard service.

Q. Is that used essentially in connection with your central station service, or do you also furnish a type of guard or patrol service?

A. We furnish a guard service.

Q. Are most of the 125 people of that type guards?

A. Yes.

Q. Do you furnish this guard service in the same territory that you told me about earlier in your testimony here today, [fol. 7957] within this 40-mile area?

A. Yes.

Q. To what type of commerce or industry do you furnish this guard service?

A. Manufacturing.

Q. Industrial plants?

A. Industrial plants.

Q. Do you furnish guards for protective purposes?

A. Well, if you define that as regular guard service, yes.

Q. What does guard service consist of?

A. Whatever the industrial organization desires to have the guards perform in the way of duty. That varies.

Q. Are you familiar with that?

A. Yes.

Q. What is it?

A. Well, gate watchmen.

Q. What else?

A. Fire watchmen.

Q. Yes. Patrolling of the premises?

A. Patrolling of the premises.

Q. For the purposes of protection?

A. Yes.

Q. Is your guard service, as you have now told it to me, included both from the standpoint of customers and from [fols. 7958-7960] the standpoint of revenue in the figures which Mr. Barnes has previously given?

A. No, sir.

Q. Would you please give me the number of customers for the years in question and the revenue from your guard service.

A. 1955, four; 1956, four; '57, three; '58, three; '59, five; '60, four and presently three.

Q. Revenuewise?

Mr. Barnes: 1955, $81,524.77.
1956, $78,114.
Mr. Fritz: What was that figure, Mr. Barnes?
Mr. Barnes: $78,114.
1957, $92,801.78.
1958, $102,275.04.
1959, $217,287.84.

* * * * * * *

[fol. 7961] Q. I gather from Mr. Barnes that you make both an installation and a service charge both in connection with your local burglar alarm service and your central station service, is that correct?

A. Yes, sir.

Q. By the way, is this form of contract, Defendants' Exhibit 1, the same form that you are now using for your central station as well as for your local?

A. Yes, sir.

Q. The provisions that are contained in this contract are used for both types of service, is that correct?

A. Yes, sir.

Q. What are the elements which you take into consideration when you make up your installation charge?

A. We have a basic charge of the amount of equipment that will be left on the premises, whatever that might figure.

Q. How about labor?

[fol. 7962] A. We don't feel a subscriber should pay for the labor. This is our cost of doing business.

Q. So you don't charge the subscriber for any labor in installation, is that right?

A. No, sir.

Q. What you charge the subscriber is the cost of the non-recoverable property that there might be at the end of the service contract, is that right?

A. Yes.

Q. And what elements do you take into consideration in fixing your service charge?

A. We have a minimum on locals of $6 and that will take up to six openings.

Q. What is your maximum for locals?

A. We add thirty-seven and a half cents per opening.

Q. And in general what are the ranges, maximum and minimum charges, for service under your local burglar alarm contracts on a monthly basis?

A. I would say between $6 and $10.

Q. $10 is a maximum?

A. Yes.

Q. Your guard service, I take it, is rendered on a—well, I don't know; on what basis is your guard service rendered so far as charges to the customer are concerned?

[fol. 7963] A. Per man hour.

Q. Your central station charges, are they computed and arrived at in about the same way as you have just described?

A. Yes.

Q. Are your central station charges from the standpoint of service greater than those for local burglar alarm service?

A. Yes.

Q. What is the difference, approximately?

A. About from two to three times.

Q. During the past ten years has there been an increase in your prices with respect to local? You just started with central station.

A. One increase.

Q. Approximately what percentage over the prior existing——

A. Well, it was 25 cents flat per month.

Q. It was an increase of 25 cents per month?

A. Yes.

Q. Is that only with relation to the service charge?

A. To the service charge.

Q. Are you operating your central station service in the same location that you previously furnished your local burglar alarm service?

A. Yes.

[fol. 7964] Q. Any modifications in the building for the purpose of doing central station business?

A. Installation of a central panel.

Q. Yes, but no structural changes in the building as such?

A. No.

Q. Now, in connection with your endeavors to secure business, do you encounter competition from persons who furnish both local and central station service in both Glendale and Los Angeles?

A. We have competitive estimates furnished by your company also.

Q. By A. D. T., do you mean?

A. Yes.

Q. And I take it by Morse?

A. Well, I would presume. I have no personal knowledge of any one particular company.

Q. You wouldn't know whether American Fire Dispatch Company bids on jobs that you bid on?

A. No, I wouldn't.

Q. Or any of the other companies?

A. No.

Q. Or any of the other local burglar alarm companies?

A. No.

Q. You have no knowledge whether any of those companies have been submitting bids at the same time as you [fol. 7965] were?

A. No knowledge.

Q. You know only about A. D. T., is that right?

A. Well, that is the only one I have definite knowledge of, yes.

Q. That is what I mean. Do you keep any records of the names of the customers to whom you submit bids where you both get the contract as against a competive bidder and where you don't get the contract?

A. If we don't get the contract we keep no record.

Q. If you do get the contract of course you have the contract?

A. Certainly.

Q. And that is your record, right?

A. Right.

Q. Do you know from recollection what contracts you have lost to various competitors over the years?

A. Well, I am sure we have lost some. I can only recall

two that we have lost to so-called competitors; one to A. D. T. and one to Morse.

Q. What was the one you lost to each of those companies?

A. Well, the one to A. D. T. was an engineering manufacturing concern and the one to Morse was a retail fur establishment.

Q. They were in recent times?

[fol. 7966] A. 1957 to A. D. T.

Q. And to Morse?

A. About '58, wasn't it, when Fred died? About 1958, approximately.

Q. Were those the only two instances that you know of in which you lost contracts to competitors?

A. Well, those are the only two that I know that competitors took the account.

Q. My question was: Do you have any knowledge of any other instances in which you were bidding against other competitors in which you lost the contract?

A. No, sir.

Q. But I am sure you know, do you not, that other local and central station companies are in competition with you for both local and central station business here in Los Angeles and in Glendale?

A. I would presume so.

Q. Have you ever had anything to do with telephone answering services in connection with protective service?

A. Yes.

Q. What?

A. Oh, we had one or two going into telephone answering service in years past.

Q. One or two of your locals, do you mean?

A. No, centrals.

Q. You didn't have any central station operation prior to [fol. 7967] March of this year, did you?

A. Well, not our own central station.

Q. I beg your pardon?

A. Not our own central station.

Q. Did you use the central station facilities of other central station companies?

A. No, sir.

Q. What did you use, telephone answering?

A. If we had such an occasion.

Q. And you did have a couple, I think you said?

A. Yes.

Q. What was sold as, local burglar alarm, or central station?

A. Local.

Q. It was a local alarm connected with a telephone answering service for the purpose of transmitting an alarm, I take it, to police headquarters, is that right?

A. Yes.

Q. Is any phase of your business, either in this present company or any other company, connected with telephone answering service as it is related to protective service?

A. Well, I own a telephone answering service, if that answers your question.

Q. What is the name of that?

A. Security Answering Service.

[fol. 7968] Q. How long have you owned that telephone answering service?

A. Since March of this year.

Q. To what use is that telephone answering service put?

A. To develop a business in itself.

Q. Is there any use of it in connection with protective service of any kind?

A. No.

Q. And hasn't been?

A. No.

Q. It may be used in that fashion, however, may it not?

A. Well, not from an outside subscriber or an outside competitor.

Q. I beg your pardon?

A. We wouldn't let A. D. T. come into it.

Q. But you would let a subscriber use it, would you not?

A. Not for alarm purposes. It is strictly an answering service telephone——

Q. If a subscriber wanted to connect a local to your telephone answering service would you allow him to do it?

A. No, sir.

Q. You don't intend to go into that field?

A. No, sir.

[fol. 7969] Q. But there are a great many telephone answering services in Los Angeles and Glendale that do that kind of business, isn't that so?

A. I believe so.

Q. Do you know of instances where you have actually

taken contracts in competition with A.D.T., Morse, and any of the other competitors here in Los Angeles or Glendale?

A. No, sir, not on bid.

Q. I beg your pardon?

A. Not on bid.

Q. Well, in what way have you, if not on bid?

A. We have had some A.D.T. customers come to us voluntarily.

Q. And give you their business?

A. Yes.

Q. Approximately how many?

A. Two.

Q. In what period of time?

A. Since we have been in business.

Q. Now, that is a vague thing but I take it you mean March of 1960, is that right?

A. No. I am talking about since we have been in the alarm business.

Q. You are talking now about since 1946?

A. Yes.

Q. And similarly, have you had subscribers of other [fol. 7970] either local or central station companies come to you for service?

A. Not to my knowledge.

Q. Are you engaged in the selling of this service for your company, or do you have a salesman, or more than a salesman?

A. I am the salesman.

Q. What has been your experience with respect to the efficiency of local protective service in the protection of your subscribers' premises? Has it been good?

A. Very good.

Q. I presume it is the fact that you still have in your local burglar alarm service end of your business some of your very early subscribers, isn't that so? I mean by that they have been with you for many years?

A. Yes. I think we have No. 1 and No. 2 yet.

Q. You don't have No. zero, I guess?

A. We have No. zero every day.

Q. You still have No. 1 and No. 2, and I take it consecutively going up the line in numbers you have many still with you that you acquired in the early years, is that right?

A. Oh, yes, I am sure of that.

* * * * * * *

[fol. 7971] Cross-examination.

By Mr. Story:

* * * * * * *

[fol. 7972] Q. Does the American District Telegraph Company engage in the local burglar alarm business in the Los Angeles area, to your knowledge?

A. I know of no local alarms that they have.

Q. I think you told us that you are the one who does the solicitation for the alarm business with your company?

A. Well, I follow up on calls. I don't openly solicit.

Q. Doing that type of activity have you ever seen an A.D.T. local burglar alarm system?

A. No. I don't believe so.

Q. Mr. Gerber, does your company have any local fire [fols. 7973-7974] alarm accounts?

A. No, sir.

Q. Have you ever had any local fire alarm accounts?

A. No, sir.

Q. Why don't you engage in the local fire alarm business?

A. Well, I suppose the best answer is that we have felt that we have all we can handle in the burglar alarm business, and we are just not geared to fire alarm business at this time. We wouldn't even know where to buy supplies.

Q. Is there any demand for local fire alarm service, to your knowledge?

A. Yes, sir.

Q. What types of installations request local fire alarm installations?

A. Hospitals, rest homes, schools.

Q. Have any commercial business enterprises ever called you and asked you for a local fire alarm system?

A. Yes, sir.

Q. What types of installations or businesses were they?

A. Only apartments.

Q. An apartment house?

A. Yes.

Q. Any other types of businesses?
A. No.

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[fol. 7975] Q. What type of equipment do you buy from the Walter Kidde Company?
A. Ultrasonic.
Q. Could you give us an idea as to the cost of an ultrasonic protection unit which you purchase from the Walter Kidde Company?
A. Quoting from memory, about $400.
Q. These ultrasonic protection devices that you get from Walter Kidde, what type of alarm systems do you usually install those devices in?
A. Well, our installations are in manufacturing in areas [fol. 7976] classified as top secret, protecting areas classified as top secret.
Q. Is that in connection wtih the National Security Program, sir?
A. Yes, sir.
Q. Is that in connection with commercial plants or manufacturing plants doing restricted work for the United States Government?
A. Yes, sir.
Q. Is that a local alarm system, where you install these devices?
A. The instances, yes, where we have.
Q. Now, in addition to the alarm systems in these plants that we have been talking about, are there also some guards present?
A. Yes.
Q. During what periods of time, sir?
A. Around the clock.
Q. Now, have you installed any of these ultrasonic protection devices in any of your strictly local alarm premises?
A. No, sir.
Q. Why don't you do that?
A. It is too high-priced.
Q. Have you installed any of these ultrasonic protection devices in any of your central station subscriber's premises?
[fol. 7977] A. No, sir.
Q. So these ultrasonic devices are installed, I take it,

only in those installations where the national security is involved?

A. Yes.

. . . . . .

Q. Mr. Gerber, how many people do you keep on duty at your central station during the night?

A. I have one man on duty all the time.

Q. Is your central station located in the same building where your telephone answering service is located?

A. Yes, sir.

[fol. 7978] Q. Does this one operator, that is, on duty in your central station, also operate the telephone answering service?

A. The switchboard operator takes care of the switchboard and calls the alarm service man if there is any signals or trouble.

Mr. Story: Read that back.

(Whereupon the record was read.)

Mr. Story:

Q. In addition to this one man at your central station, you also have a switchboard operator on duty at night?

A. Yes.

Q. Now, what type of an employee do you have other than the switchboard operator?

A. I don't understand your question.

Q. What is his duty, sir?

A. He is there for the purpose of taking care of alarm signals. He is a service man.

Q. Does he answer the alarms whenever an alarm comes into your station?

A. Yes, sir.

Q. When you receive an alarm in your central station, the guard immediately goes to the premises from which the alarm emanates?

A. Yes, sir?

Q. Is this man armed?

[fol. 7979] A. No, sir.

Q. Now, when you receive a signal in your central station do you call the police immediately on each alarm?

A. If it is the instruction of the subscriber only.

Q. What do you mean by that, sir?

A. Well, some subscribers don't want the police called.

Q. And in those instances where the subscriber does not want the police called what does your company do?

A. We call the owner or whomever he designates.

Q. When you say "We" that is the switchboard operator that does that?

A. Yes.

Q. Now, on that type of an alarm system does your guard go out to the premises?

A. Oh, yes, on all signals.

Q. On all signals?

A. Yes.

Q. What does he do when he gets to the premises?

A. He determines what the trouble is.

Q. And he is unarmed?

A. Yes, sir.

Q. Now, I take it that this guard that is on duty at all times in your central station there does not have any duties in connection with operating your switchboard, is that correct?

[fol. 7980] A. None whatsoever. Wouldn't know what plug to pull or push.

Q. Now, this operator that you have there, that operates the switchboard, she is charged with observing the signals from your protection systems as well as an ordinary telephone answering service operation?

A. Yes, sir.

* * * * * * *

Q. I think you said that about 50 per cent of your central station subscribers have asked you not to call the police when you receive an alarm, is that correct?

A. That is correct.

Q. Is there any reason why they don't want the police called?

[fol. 7981] A. I wouldn't be able to answer that.

Q. Has your unarmed guard ever captured any burglars when he has answered any alarms?

A. No, sir, but the police department has when he went out on calls.

Q. Did he call the police?

Mr. Fritz: Excuse me. You mean when your guard went out on calls?

The Witness: He called the police and they captured them.

* * * * * * *

Q. Whenever a business which has one of your central station protection systems closes for the night do they check with your central station before closing?

A. Oh, yes.

Q. What about on the opening in the morning?

A. Yes.

Mr. Fritz: That is part of the central station service, isn't that right?

[fol. 7982] The Witness: I believe so.

Mr. Story:

Q. What arrangements do you have, if any, when an employee or the owner wants to re-enter the premises at night on the central station protection system?

A. That is handled by letters of operational procedure filed with us by the subscriber.

Q. Tell us how it works, sir.

A. Well, some will and some won't. They have identification by name only so far, and that is contained in the letter of operational procedure.

Q. Before re-entering the premises do they have to call your central station?

A. Yes.

* * * * * * *

Q. Sir, I think you stated that you do not have any central station fire alarm accounts, is that correct?

A. We do not.

Q. Why don't you engage in that type of business?

A. I think I answered that before.

Q. What was your answer, sir?

A. That we have more than our hands full in the burglar [fol. 7983] alarm business and we wouldn't at this point know where to buy equipment unless we went to Grinnell and asked them.

Q. Is your central station equipped to handle approved fire alarm systems at the present time?

A. No, sir.

Q. Without the approval of your central station operation, would you be likely to get any fire alarm accounts if you were in that type of business?

A. Yes, sir.

Q. How do you know that, sir?

A. We have been asked.

Q. Did you inform the person who requested this service that you did not have an approval?

A. We informed the person that we were not in the fire alarm business.

Q. Are you familiar with the service called sprinkler supervisory and waterflow alarm service?

A. Yes, sir.

Q. Is your company equipped to handle that type of an operation?

A. Well, yes.

Q. Would the subscriber receive any insurance credits if you undertook such an operation at the present time?

A. I wouldn't be able to answer that.

[fols. 7984-7987] Q. Sir, has your central station been approved by any of the insurance organizations that govern or inspect alarm systems?

A. Well, as an approval, no.

* * * * * * *

[fols. 7988-7989] Q. Have you bid on any accounts where you lost the account or were unable to get the account because you could not furnish certificated alarm service?

A. Yes, sir.

Q. About how many of those accounts have you lost?

A. One is all I can recall.

* * * * * * *

[fols. 7990-7992] Redirect examination.

By Mr. Fritz:

* * * * * * *

[fols. 7993-7994] Q. All of these services that we have been talking about here, Mr. Gerber, based upon your experience, are designed to protect life or property, or both, are they not?

A. Yes.

* * * * * * *

[fol. 7995] Q. Now, you mentioned a type of local fire alarm system that is used in connection with schools, I think you said, apartments, hospitals, rest homes?

A. Yes.

Q. Do you know what kind of local fire alarm systems those are?

A. Well, some of them are thermal heat rise.

Q. But are they systems which provide, upon actuation of the device on the premises, an alarm simply on the premises themselves?

[fols. 7996-7997] A. Yes.

Q. Either by way of ringing of bells, or something of that sort?

A. Yes.

Q. So they are strictly a local system?

A. Well, what I am thinking of, yes.

Q. And the kind that I have been questioning you about?

A. Yes.

* * * * * * *

[fol. 7998] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W30A

IN THE UNITED STATES DISTRICT COURT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants

Deposition of LOYS C. BRIDGES, taken before Lillian Z. Johnson, a Notary Public in and for the County of Dallas and State of Texas, on Monday, the 5th day of February, A.D. 1962, commencing at about the hour of 9:30 A.M., at the offices of Thompson, Knight, Wright & Simmons, Suite 2300, Republic National Bank Building, in the City of Dallas, County of Dallas and State of Texas, on behalf of the defendants in the above entitled action pending in the above named court pursuant to subpoena and notice.

* * * * * * *

[fol. 7999] LOYS C. BRIDGES, having been first duly sworn, deposeth and saith as follows:

Direct examination

By Mr. Williams:

Q. Can I have your full name, sir?
A. Loys Cobb Bridges.
Q. Are you a resident of Dallas?
A. I am.
Q. What is your home address, please?
A. 5601 Martel.
Q. Mr. Bridges, are you connected with any firm in the city of Dallas that furnishes electric protective service?

A. Yes, sir.
Q. What is the name of that firm?
A. Greenville Avenue Patrol.
Q. What type of organization is that company? Is it a corporation or partnership?
A. It is a company.
Q. Are you sole owner?
A. The bank and I.
[fol. 8000] Q. How long has that company been in existence, sir?
A. Since 1932, January 4th.
Q. Where is it located?
A. Our main office is now 232 Braniff building.
Q. What type of business is that company engaged in, sir?
A. Patrol, guard, night watch service, burglar alarm service, fire extinguisher service.
Q. What types of burglar alarm service?
A. Local and central station, monitor type.
Q. How long has the company furnished local burglar alarm service?
A. I guess about eight years, eight to ten years.
Q. How long has it furnished central station service?
A. About four to five years.
Q. Would you describe to us, sir, how your central station operates? You said you have central station burglar alarm service.
A. We have a board in the office that registers our signals when these wires from the telephone company ring those signals from the customer location into our board.
Q. I take it there are devices installed on the customers [fol. 8001] premises that would signal if there has been an unlawful entry made?
A. That's right, any entry.
Q. Do those devices also sound a signal on the premises—that is on the protected premises?
A. Some do; some don't.
Q. Some are silent; some are audible alarms?
A. Yes, sir.
Q. What type of local burglar alarm systems do you install? By that I mean are they similar to the devices that are installed for use in your central station service?
A. Some are, some are not.

Q. Is your central station approved by Underwriters Laboratories?

A. It is not.

Q. Are any of the local burglar alarms that you install approved by Underwriters Laboratories?

A. The equipment is; we are not approved installers. We have never asked for approval.

Q. Does your central station do any alarm work other than burglar alarm?

A. We do install some fire alarms.

Q. Do you have any of those installed at the present time?

[fol. 8002] A. Yes, sir, we do.

Q. What type of systems are those?

A. We install some systems manufactured by Potter Electric, some by Notifier, some that we make up ourselves.

Q. Are those heat defecter systems?

A. Yes, sir.

Q. Does your firm install any water flow alarms?

A. I don't believe we have any water flow alarms right now.

Q. Does your firm do any sprinkler supervisory work at all?

A. No, sir.

Q. Does it do any watchman supervision by means of electrical systems?

A. No, sir, we do some where other people have their equipment installed. We furnish the watch service but no supervision.

Q. In other words, you furnish the men?

A. We furnish manpower.

Q. You mentioned earlier your firm engages in other types of protective service other than electrical. Could you describe that for us? You do patrol service?

A. Yes, sir.

[fol. 8003] Q. What does that consist of?

A. We patrol areas; residences and business places with the men in automobiles.

Q. What do these men do when they are out on patrol?

A. They check the buildings, grounds.

Q. Do they look for signs of entry?

A. That's right.

Q. Do they check to see that doors and windows are locked and remain locked?

A. Yes, sir.

Q. In what area does your company furnish that service, sir?

A. Generally in the north and east part of Dallas and the adjoining cities, Farmers Branch, Carrollton, Richardson, Garland, Irving.

Q. What other types of service does your company furnish? That is, do you furnish watchmen on the premises also?

A. We will, yes, sir; we furnish watchmen on the premises.

Q. Could you describe how that service operates?

A. Well, the men are stationed on the property at all times and some punch a clock, some don't; it depends on what the customer or insurance company wants.

[fol. 8004] Q. What are their general duties when they are stationed on the premises?

A. They are in charge of the property when they are stationed on the premises; if there is no one else there, why, they are in sole charge. They keep out unauthorized people, look out for fires. Some of them have fire alarm systems; some have sprinkler alarms, local alarms. They keep checking those things; check the fire extinguishers.

Q. Are these men armed?

A. They are.

* * * * * * *

[fols. 8005-8006] Q. Approximately how many employees does the Greenville Avenue Patrol have, sir?

A. It varies from around 60 to 80.

Q. How many of those employees are engaged in working for the central station part of your business?

A. I have two installation and repair men and three office people that spend a part of their time.

* * * * * * *

[fol. 8007] Q. I think you told me a few minutes ago that you started rendering local burglar service six to eight years ago?

A. I said eight to ten years ago.

Q. Eight to ten years ago, excuse me. Is it your company's policy to lease the equipment out to your burglar alarm subscribers?

A. Yes, sir.

Q. Your company maintains ownership of that equipment?

A. Yes, sir.

Q. Is that true as to your local and central station subscribers?

A. Yes, sir, generally speaking.

Q. You do sell a few systems?

A. In the case of friendship or something, we might.

Q. But that is not the normal operation?

A. That is not the normal operation, no, sir.

* * * * * * *

[fol. 8008] Q. Do you enter into written contracts with your subscribers?

A. Yes, sir.

Q. Do you use a standard form of contract?

A. About that, I could not say. I don't know what you mean by that.

Q. Do you have a printed form that you use?

A. Yes, sir.

[fol. 8009] Q. Do you have a copy of that form with you today?

A. I don't know; I might have. There is one for local.

(Document to counsel.)

Q. Do you have one for a central station, also?

A. Usually we just scratch that "local" out and insert the word "monitored" or "central station." We have had one at various times.

Q. Is this form of contract that you showed me the one that has generally been in use by your company since you began rendering alarm service?

A. Yes, sir.

Q. Is this the copy that you brought down for us in response to this subpoena?

A. Yes.

Q. You do not mind if we keep it?

A. Let me see what's on the back of it—no, you may have it.

Q. Would you indicate that this paper entitled "Contract for Local Burglar Alarm," Greenville Avenue Patrol, Dallas, Texas, be marked as Defendants' Exhibit A for identification.

[Exhibit so marked.]

Q. Mr. Bridges, how long, generally, is your contract period of time; how many years does it run?

[fol. 8010] A. Some of them are drawn for one year, some for three years, some for two years, some for five years. We do have one or two for twenty, at least one of them.

Q. What would you say would be the period of time for the majority of them? What is the most usual period of time that you write them for?

A. We usually try to get three or five years on them. Some people will enter into a five-year contract when we ask for it.

* * * * * * *

Q. What is the policy of your company when a contract is terminated? Do you remove the equipment that you have installed on the subscriber's premises?

A. Yes, sir.

Q. What items do you normally remove on, say, a burglar alarm installation?

A. Oh, normally, we remove the instrument, the signal device, the bell if there is a bell and the contacts. Sometimes we remove wire and all.

Q. Has that been the policy of your company since it started in the alarm business?

A. Yes, sir.

[fol. 8011-8012] Q. From whom does your firm normally buy its alarm devices and equipment, sir?

A. From Poter, Ademco Alarm Device Manufacturing Company; buy some from Imperial Products; some from A. W. Fruh and Company and we buy some parts that we use from the different electronics supply houses locally.

* * * * * * *

[fol. 9013] Q. Is the equipment that your firm buys approved by Underwriters Laboratories, generally?

A. A certain per cent of it is. I would say about 25 per cent. Any fire alarm equipment that we buy is approved by the Underwriters; about maybe 25 per cent of the burglar alarm is not. It depends on what the installation calls for, the customer. We do get some credits for some equipment we install although we are not approved installers.

* * * * * * *

[fol. 8014] Q. Could you tell us, Mr. Bridges, how many local burglar alarm subscribers your company now has?

A. No, sir, I could not.

Q. Why is that?

A. Well, I just do not know. I do not keep up with it. It is not important. It is how much money is in the bank every month that is important to me.

Q. Could you make a ninformed estimate of it?

A. I could guess at it—between 250 and 300; that would be a guess. I don't know; it might vary 25 to 50 either way.

Q. Could you make the same type of estimate for us with regard to your central station subscribers?

A. Police station and our office combined, probably 80 to 100.

Q. By "police station," do you mean a system where the subscribers premises are connected by telephone line directly to police headquarters?

A. That is right.

Q. Wit'n receiving equipment installed in police headquarters?

A. That is right.

[fol. 8015] What type of system is that called, direct connected or remote station alarm system?

A. That would depend more—speaking of the equipment?

Q. What would you call it?

A. I would call it police station alarm.

Q. Where do you have this type of alarm installed; what area, generally?

A. What cities, what towns?

Q. Yes, sir.

A. Arlington, Irving, Carrolton, Richardson, Farmers

Branch, Garland, Mesquite; I believe that's all—Greenville.

Q. Are these little towns that surround Dallas?

A. All those towns but one are in Dallas County.

Q. Are they considered to be suburbs of Dallas?

A. No.

Q. Are they separate towns?

A. They are separate towns.

Q. Each have their own police department?

A. Their own police department and fire department, incorporated, city of its own.

Q. About how many of those systems do you think you have installed, just approximately—these police headquarters systems?

[fol. 8016] A. I would say 35, 40.

Q. The remainder of that 80 or 100 would be the systems that are connected into your central station?

A. Yes.

Q. Do you have any systems that are connected to fire departments by wire as these police alarm systems are connected?

A. We have in Greenville, Texas.

Q. When you started your central station, sir, was it approximately four years ago, could you guess, your best recollection of approximately how many subscribers you started with?

A. Well, everybody starts with one—I think that would be——

Q. Has the number of subscribers increased steadily over the last four years?

A. Well, it seems to be off and on. Couldn't say we have increased too fast or we have not had any dead periods in that time when we did not increase at all. There were no changes made. When the need comes up, we try to sell them.

Q. In what areas of Dallas County, sir, are your central station subscribers located, just generally?

A. There are more of them in north and west Dallas than any other area.

[fol. 8017] Q. Do you have any central station subscribers in the downtown area of Dallas?

A. Yes, we do.

Q. How far is that from your central station, approximately?

A. The downtown area?

Q. Yes.

A. About four miles, I guess, about five miles.

Q. How far do you feel you can render effective central station service from your central station?

A. I don't think there would be any limit placed on that. I don't know how you would go about placing a limit on that.

Q. Well, as far as you are concerned there is not any effective limit as to how as to how far a subscriber could be located from your central station?

A. Well, we cover an area with our patrol cars from Grand Prairie city limits which would be 12 or 14 miles, around across the north side of Dallas into Mesquite, which would be, I think, approximately 15 miles in that direction. So, I would say we do render service in an area of 15 to 20 miles.

Q. In that same area, do you furnish watchmen and patrol service?

A. Yes.

[fol. 8018] Q. And also local burglar alarm service?

A. That is right.

Q. How much of your business is devoted to furnishing local and central station alarm service? How much of your effort is put on that?

A. Are you speaking in terms of income or the number of people engaged in it.

Q. Let's try it on the income basis.

A. That would be a wild guess.

Q. 50 per cent?

A. No, not 50 per cent.

Q. Less than that?

A. Yes.

Q. 25 per cent?

A. I would think it would be nearer 15 but it would be just a wild guess.

Q. That would be a combination of your local and central station?

A. Right.

Q. What would be the estimate for, say, your patrol service?

A. In income—50 per cent.

Q. And your watchman service?

A. Well, that would be—have to be 30 to 35 per cent.

[fol. 8019] Q. And that would account for all the business that your firm does. Is the percentage of income that is derived from local and central station alarm service increasing, an increasingly large part of your income?

A. State that again, would you please, sir?

Q. Is the income you derive from local and central station alarm service getting larger or is it staying the same?

A. Percentage-wise?

Q. Yes.

A. I won't say it is increasing any.

Q. Is it remaining fairly steady?

A. Probably remaining fairly steady.

Q. Would you tell us, Mr. Bridges, what you look for on the premises of a person who wants a bid on electrical protective service?

A. Number of openings, whether he has a safe or vault to protect, whether there are skylights in the building, the material that the building is made of, whether it has steel or wooden doors and windows; that's about all, I guess.

Q. Those are the factors that enter into your setting of an installation charge for the equipment?

A. Yes, sir, not for the equipment.

[fol. 8020] Q. For the entire service?

A. Yes, sir, entire installation.

Q. And what factors do you consider when you are trying to arrive at your monthly service charge?

A. Well, that depends on the distance from the office; that would be about the only thing that would enter into it.

Q. Is that based on the telephone line rental charges?

A. That is right; those wires are leased by the mile.

Q. You lease those from Southwestern Bell Telephone Company?

A. Southwestern Bell, Southwestern States and General, and I believe that's the only companies we deal with.

Q. Have you had any difficulty in obtaining leased lines?

A. Not recently.

Q. Have your prices for central station service increased or decreased since you started in business, sir?

A. Believe it is about the same.

Q. Could you estimate for us, sir, what your gross income was from all service for the year 1961, so we could get an [fol. 8021] idea how much was due to your burglary alarm service and your patrol and watchmen service?

A. Well, I could give you a definite figure on that by calling my auditor or I could give you a fairly accurate guess.

Q. Suppose we do two things: Suppose you give us a fairly accurate guess and we will leave a blank space in the deposition so after you read your typed copy, you can put your auditor's figure in that space, how is that?

A. I would say from 1960—or 1961?

Q. Let's take 1961.

A. I can't give you a figure on that.

Q. Okay, let's get 1960.

A. I would have an idea around $235,000.

Auditor's Figure: $240,752.00.

Q. That would be total—for all three?

A. Total, for everything.

Q. And the percentage breakdown would be pretty much what you indicated earlier, 15 per cent due to local and central station service?

A. Oh, as I stated before, that's just an estimate.

Q. What firms in the Dallas area are in competition with [fol. 8022] you in furnishing protective services?

A. Oh, there's approximately half a dozen, I guess; the two largest is ADT and Smith Detective Agency. There's Burns and Pinkerton's, Dallas Burglar Alarm Company, Southwest Burglar Alarm Company. There is one known as Texas Alarm Service and Ace Alarm Service.

Q. What type of protective service does ADT furnish in Dallas, sir?

A. I don't know too much about ADT. They furnish fire and burglar alarm service.

Q. Do you know whether that is all central station or some local?

A. I think they furnish some locals.

Q. How about Smith—what type of service does he furnish?

A. They do the same.

Q. What type of service does Burns furnish?

A. Guard and detective, undercover service, that is detective service.

Q. Pinkerton's about the same?

A. I think Pinkerton's and Burns are more or less the same.

Q. Do you know whether either of those companies furnish any electrical protection service?

[fol. 8023] A. So far as I know, they do not.

Q. What about this Dallas company; what type of installations does it make?

A. I think his is all local alarms; I believe they are.

Q. What about Southwest?

A. At the present time, I think they are all local. They did have a central station board but they recently sold it and I don't know what company they sold it to. I think it was Greenway Park Patrol.

Q. Where was their central station located, sir?

A. It was on South Ervay; I don't know the exact address.

Q. In the city of Dallas?

A. In the city of Dallas on South Ervay.

Q. What about the Texas Alarm Company?

A. I don't know anything about them at all. I just have seen some of their installations.

Q. The ones you have seen have been locals?

A. Yes, sir; I don't know who owns the company or anything about it.

Q. What about Ace Alarm?

A. That is a man named Jack Hamilton. He is all local so far as I know; principal customers are 7-11 stores.

[fol. 8024] Q. What type of stores are those?

A. Drive-in grocery.

Q. Do you meet or become aware of the fact you are in competition with other firms that are furnishing local and central station burglar alarm service?

A. Occasionally.

Q. Have you ever met ADT on a particular job?

A. What do you mean by meeting them.

Q. Are you ever aware they are bidding on the same subscriber you are bidding on?

A. Yes, I have heard of it.

Q. Have you heard of it with respect to a prospective central station subscriber?

A. Yes.

Q. Can you recall any particular instance?

A. Where we bid on the same job?

Q. Yes.

A. Yes, I believe we bid or negotiated to make a bid on the job for Dallas Airmotive at 1130 Dragon Street—1230 Dragon Street.

Q. When was that; do you remember?

A. Approximately two years ago—two years ago.

Q. What type of installation was that supposed to be?

A. Central station.

[fol. 8025] Q. Burglar alarm?

A. Right.

Q. Who got the installation?

A. We did.

Q. Can you recall any other instance where you have bid with ADT on a central station job?

A. Back in my mind I know there has been some of them but I don't recall any specific addresses.

Q. Has it happened several times a year?

A. Oh, yes, I think we all attempt to bid on most of them.

Q. Do you ever meet George Smith's firm in the same way on prospective central station jobs?

A. That is right.

Q. Does that occur about the same regularity as you do with ADT?

A. I would say it does.

Q. Are there times when all three of you are bidding on the same?

A. I have an idea there is.

Q. You have an idea there are times when all three of you are bidding on the same?

A. Yes, I think we all three bid on some jobs.

Q. And some of them you get and some of them they get, is that right?

[fol. 8026] A. That is right.

Q. But your bidding is in competition with them; it is competing against them?

A. Yes, I think so. They may not think so but I do.

Q. The fact you get some of the jobs says you are in competition with them, doesn't it?

A. I think so.

Q. Have you ever bid on a job where one or the other, either ADT or Smith was offering central station and you were offering local service?

A. Let's put that this way; when we go in to bid on a job, we outline the service we have to offer and then try to determine what the man wants. It is my opinion they do the same thing.

Q. Well, have you ever bid with a prospective subscriber when these other companies were bidding and have successfully gotten the local alarm service?

A. State that again.

Q. Have you ever tendered a bid to a prospective subscriber when both or either ADT or Smith was bidding on the same job and have the subscriber accept your local alarm service?

A. We bid on the same job on local alarm service; sometimes I get them, sometimes they do.

[fol. 8027] Q. Do you know whether they are bidding central station or local?

A. Ordinarily, we do now know because—I do not care

to go into that part of it. In fact, I do not mention to my competitors; I would rather they do not know I had one.

Q. Well, have any of the prospective customers you have spoken to, ever told you that they had your firm, ADT and Smith all under consideration?

A. Yes, I have been told that.

Q. Have you ever gotten any of those jobs where all three of your firms have been under consideration?

A. I have an idea I have.

Q. Are there any other companies or firms in Dallas that compete with your electric protective services?

A. The ones I mentioned awhile ago; that's all I recall right now. I believe that maybe Diebold makes—they make some bank installations and I believe they put in some hold-up alarms recently in some of the motels. They are principally a safe installation company.

Q. Does your firm do any safe protection at all?

A. Yes.

Q. What type of systems do you generally use for that [fol. 8028] —capacity alarms?

A. We do not have any capacity alarms on safes. They use contacts, safe cabinets, vibrators, things of that type. Capacity alarms are available to us but they are pretty high. There is quite a bit of money involved in a safe.

Q. You mentioned earlier, sir, you have some central station alarms which are both connected to your central station and also have a bell that sounds on the premises.

A. Yes, sir.

Q. Is that really a combination of local and central station service?

A. It would be.

Q. Is that fairly common in Dallas?

A. The Smith Company uses it most of all in the outlying districts; they use a bell on theirs. ADT uses a bell on a few of them.

Q. Is there any particular advantage to this type of system?

A. If it is far enough out the bell might scare a burglar off before he has a change to get anything. If they did not have the bell, he might get in and get something and get away before the police get there. I think that is the reason [fol. 8029] they started putting those bells on them.

* * * * * * *

[fol. 8030] Cross-examination.

By Mr. Story:

* * * * * * *

Q. Do you know how many central station accounts you have tied to your central station board?

A. In our office?

Q. Yes, sir.

A. Around 55 to 60.

Q. Now, is that including both your central station burglar alarms and your fire alarms?

A. Yes, sir, and hold-up alarms.

Q. And hold-up alarms. Could you tell us, sir, how many central station fire alarm systems that you have?

A. I don't believe we have but one going into our office; I believe one is all.

Q. Is that an automatic firm alarm system or a sprinkler supervisory?

[fol. 8031] A. Automatic firm alarm system, thermostat system.

Q. Now, I think you stated that you have never sought the approval of Underwriters Laboratories or any of the other insurance organizations for approval of your service, is that correct?

A. No, I stated that I had not sought the approval of the Underwriters. We have submitted some to the Texas Inspection Bureau here for approval on fire alarms.

Q. Is that fire alarm going to your central station?

A. No, not anything going into our office; some going into fire stations.

Q. Have you received that approval for that service?

A. No, we do not have any approval; they indicated they would approve if we make certain changes and we are making changes.

* * * * * * *

[fol. 8032] Q. Mr. Bridges, prior to the time you started your central station operation, do you recall any instances where you lost your local burglar alarms to either Smith or ADT because the customers wanted central station service?

[fols. 8033-8034] A. At this time I do not recall losing any that way.

Q. Well, after you had established your central station operation, did you convert any of your local burglar alarms into central station accounts with your company?

A. I have converted some of them to central station.

Q. Could you give us an estimate as to how many you have converted into central station?

A. Oh, I would say five to ten per cent of the present number that I have.

Q. Since you have been operating have any of your central station accounts discontinued your central station service and requested your company to render local alarm service?

A. Yes, I have some of those from central station want to go back to local.

Q. Do you know about how many?

A. Right now I recall one that did that.

Q. In other words, reverted from central station back to local alarm?

A. Yes, sir.

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[fols. 8035-8036] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W31a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The Deposition of MILTON PIERCE, taken by the Defendants, before Ida King, a Notary Public within and for the County of Wayne, State of Michigan, at 800 First National Building, Detroit, Michigan, on Thursday, September 27, 1962, commencing at 3:00 o'clock P.M.

* * * * * * *

[fol. 8037] MILTON PIERCE was thereupon called as a witness herein, and, having been first duly sworn by the notary public to tell the truth, the whole truth, and nothing but the truth, testified as follows:

Examination.

By Mr. Fritz:

* * * * * * *

Q. Mr. Pierce, would you please state you full name and home address?

A. Milton Pierce, 23000 Timberline Road, in Southfield.

Q. Are you engaged in the protection business?

A. Yes.

Q. Are you affiliated with any company?

A. My own, Guardian Alarm Company.

[fol. 8038] Q. Is that a corporation?

A. Partnership.

Q. Who are the other partners?

A. Jack Moss and myself.

Q. Where is the partnership place of business located?

A. 2363 West Davison, in Detroit.

Q. Is that in the city proper?

A. Yes.

Q. And is that in the business or commercial part of the city?

A. It is about centrally located.

Q. Is that a registered trade name?

A. I guess so.

Q. Do you carry on business under other names in addition?

A. We have purchased several small companies. We have only got the names as a matter of record. Actually, all of our business is done under this one particular name.

Q. Are you engaged exclusively in the protection business?

A. Yes.

Q. Would you tell me in a general way what your firm does?

A. Well, we install burglar alarm systems on stores, warehouses, and a few residences.

Q. That doesn't purport to be a complete list of the kind of establishments that you provide service to?

A. Pretty much that would be complete; just stores of different natures.

[fol. 8039] Q. You mentioned also factories, did you?

A. We will get an occasional small shop of some kind which would fall in that same category, yes.

Q. You mentioned burglar alarms. Do you provide also fire alarm systems?

A. No.

Q. You advertise them, do you not, in the Yellow Pages?

A. Yes.

Q. The classified telephone book?

A. Well, we have never been fortunate enough to do anything in it.

Q. Will you tell me whether you provide local burglar alarm service?

A. Yes.

Q. Do you provide any other kind of burglar alarm service?

A. We also provide a central office type of alarm.

Q. Do you engage in any way in the watchman or patrol business?

A. No.

Q. The central office which you mentioned is located at the place of business of the partnership, I gather?

A. That's correct.

Q. Do you provide any type of protective service other than burglar alarm service?

A. No.

Q. Do you provide holdup alarm service?

A. Yes, we do have a few of those.

[fol. 8040] Q. Have you had occasion to supply to any of your customers devices which would give an alarm in the event that, for example, water came up in a sump pump, or temperature dropped?

A. No, we have not gone into that.

Q. You haven't done any supervisory work?

A. No.

Q. Do you have any customers who have their alarm systems connected to a fire or police department rather than to your central station?

A. Yes, we have a relatively small number that are connected to suburban police stations.

Q. Those are the suburbs of Detroit?

A. Of the Greater Detroit area.

Q. In what areas or places do you conduct your operations?

A. You mean our general business?

Q. Yes, the geographic territory in which you operate.

A. Oh, probably within a 25-mile radius of the city.

Q. Are you there referring to your central station operations?

A. No; primarily local in this instance.

Q. In what areas do you conduct your central station operation?

A. It would all be within the Greater Detroit area, or actually in the city limits area, with the exception of these few that we run into the local police departments, and

that probably, I venture to say, not more than twenty miles from us, anyway.

Q. Those are the ones that are connected to the police department?

[fol. 8041] A. Right.

Q. Do you have any connected to the fire departments?

A. No.

Q. Do you have any central station subscribers out around the limit of the radius you mentioned—I think you said twenty-five?

A. You mean outside of the city limits?

Q. Yes.

A. Those would be the only ones that would run into the local stations, wherever they may be.

Q. Within what radius of your central office do you provide central station service?

A. Our own central station service?

Q. Yes, sir.

A. Probably fifteen miles, maybe, or less.

Q. Just so that we are talking in the same terminology, when I refer to central station service, I'm referring to those subscribers who have connections to your central office. When I use the word "direct-connected service," I am referring to those subscribers who have connections to a police station rather than to your central station.

A. I see.

Q. So with that explanation of my terms, do I properly conclude that your central office service is rendered within a radius of fifteen miles of your central station?

[fols. 8042-8043] A. That's right.

Q. There are areas, are there not, within that fifteen-mile radius where direct-connected service is rendered?

A. Usually where we can use direct-connected service, we do; but the areas within that fifteen-mile limit usually are towns that won't permit that service.

Q. Are you referring now to the city of Detroit, city proper?

A. Well, the city of Detroit, Highland Park, Hamtramck, and possibly a few of the others.

Q. There are other suburban towns, however, which do permit it?

Mr. Levy: I object to the form of the question.

A. That's right.

By Mr. Fritz:

Q. Can you tell me where or in what villages or towns or suburbs? I don't know what you call your municipal bodies which are suburbs of Detroit. Can you tell me in which ones you do have direct-connected subscribers?

A. Oh, we have a few in Southfield, Hazel Park, Warren, maybe one or two others. Not enough to make any difference, actually; just a few.

Q. How far is Hazel Park from your central station?

A. Probably within a ten to fifteen-mile run.

Q. Do you provide any nightwatch or watchman supervisory service?

A. No.

* * * * * * *

[fol. 8044] Q. Mr. Pierce, did you bring with you sample copies of the contracts that you use?

A. Yes, I have a sample of the contract.

Q. Would you mind producing it, please?

A. All right.

Mr. Fritz: May we have this document entitled "Agreement for Burglar Alarm Service" between Guardian Alarm Co. of Michigan and subscriber marked as Defendants' Exhibit 1 for identification.

(The agreement was marked Defendants' Exhibit No. 1 by the reporter.)

By Mr. Fritz:

Q. Is this the only contract form in use by your firm?

A. Yes.

Q. This is used for local burglar alarm systems as well as for your central system burglar alarm?

A. Wherever we use a contract, we use the same one.

* * * * * * *

[fol. 8045] Q. I note that you have stricken from this form of contract the five-year term.

A. Yes.

Q. Do I gather that there is now in effect some different term?

A. We have stopped using that. The reasoning behind it is, should conditions change where we would want to take an increase, which we have rarely done, we found our hands tied by that. We have no escalator clause in ours, and we were just tied up for the entire length of the contract previously.

Q. Until how long ago was that five-year term in effect?

A. Well, of course, it has been printed on there for as long as I remember; but we usually try to vary it with the length of the man's desires or his lease.

Q. But you had the five-year period?

A. It has always been in the contract. The contract is something we inherited many years ago, probably copied from someone else's.

Q. Have you engaged in the alarm business all of your working life?

A. Yes, I have.

Q. And with this company?

A. Yes.

Q. What is the term customarily written?

A. I venture to say they will average about two years. [fol. 8046] In fact, two years is just about the maximum we will write for them now.

Q. And does the equipment you install at the subscribers' premises belong to you?

A. Yes, it does.

Q. That is customary, is it?

A. It seems to be generally so.

Q. You will note that we required certain information as to the number of your customers and also your revenue for the period 1955 to date.

A. Approximation of them.

Q. And you are satisfied that these are reasonably accurate approximations?

A. Oh, yes.

Q. Would you tell me the number of your local burglar alarm customers at the present time?

A. About 1200, I would say.

Q. And how many central station burglar alarm customers do you have?

A. About 125.

Q. That is as of the present. Now, as of the end of last year, do you have the figure?

A. Well, it doesn't vary a great deal. Maybe we have picked up twenty-five or fifty accounts, maximum.

Q. Are you speaking with reference to local?

A. Combined.

[fol. 8047] Q. Have there been a greater increase in either local or central station?

A. Well, we primarily are in the local alarm business.

Q. What was the number of your local alarm subscribers in, say, 1955?

A. That is how long ago? Six years?

Q. Seven years.

A. I don't think we had any then, seven years ago. If we did, it would be five or less.

Q. You had no local burglar alarms?

A. No central office. I misunderstood.

Q. I asked as to local alarm customers as of 1955.

A. I would say that we probably increased in the average of forty to fifty a year.

Q. You say you had no central office subscribers in 1955?

A. I don't believe we did, or, if we did, it was only a very, very few.

Q. In the year 1957, could you give me the number of central office burglar alarm subscribers?

A. No, I probably couldn't, but it has been a very small growth, as you can see, only approximately a hundred in our office, maybe 25 scattered among the small towns.

Q. You are speaking of the direct-connected subscribers?

A. Yes.

Q. Did you have direct-connected subscribers back in the year 1955?

[fol. 8048] A. We may have had a couple of those. I think we had that before we had our—how did you term the other ones?

Q. Central office subscribers.

A. I believe we had a few of those before we had the central office.

Q. In your central office, do you have some sort of panel or switchboard or console for the receipt of alarms?

A. Yes.

Q. And you have an operator attending that switchboard?

A. Yes.

Q. How many employees do you have in your firm, sir?

A. Total?

Q. Yes.

A. About fourteen, I think.

Q. In what categories do those people fall?

A. Primarily either servicemen or installer.

Q. Do some of them serve as guards or runners to respond to alarms?

A. Not really. They are classified as such, but not really.

Q. They do not respond?

A. Well, we respond primarily as a service call.

Q. But when an alarm signal is received in your central station, what action is then taken by your personnel?

A. Our prime responsibility is to notify the Police Department.

Q. Do you in addition to that send men to the subscriber's premises?

A. Sometimes.

[fol. 8049] Q. Is that dependent upon the arrangement you have with the subscriber?

A. On that, and what kind of alarm condition it is, actually.

Q. Well, if it is what might be called just a trouble signal, one obviously known to be a trouble signal, but maybe the signal of a break or an intrusion, do you then send out a runner?

A. Usually.

Q. Are these men armed?

A. Yes.

Q. Are the runners included in these fourteen servicemen and repairmen?

A. Yes.

Q. Do you have an operator on duty at all times in your central office?

A. Yes.

Q. Do you have someone on duty at all times in the central office who can respond or attend to trouble signals?

A. No.

Q. Do you have a guard on duty through the night or an installer or repairman?

A. Yes.

Q. How do you go about notifying the Police Department when an alarm is received?

A. Just dial the number and turn the information in.

Q. Are your books such as to show the number of central [fol. 8050] office subscribers you have and did have over the past five or six years?

A. I suppose the information could be dug out, but not readily.

Q. Are you able to tell me what revenue your company derived from its local burglar alarm service during the years 1955 through 1962?

A. Well, I have an idea of the total. We have never broken it down by local or central office.

Q. It is not possible to segregate?

A. It is possible. There is only a hundred, so it certainly isn't difficult to make a fast subtraction.

Q. Are you able to do that here?

A. Pretty much.

Q. Can you tell me what your revenue has been from the present year down to date, or, say, for the first half year, whichever is more convenient?

A. Oh, I would say about $130,000 a year.

Q. Per year?

A. Yes.

Q. That is not this year to date?

A. Well, it will come out pretty much the same. We add or subtract. We are only talking about seven, seven and a half dollars for an account, and it takes an awful lot of accounts to vary the figures very much.

Q. When you mention seven, seven and a half dollars a [fol. 8051] month, that is your service charge for local burglar alarm service?

A. Right.

Q. What was your revenue in, say, the year 1955?

A. Oh, I would say offhand probably close to one hundred thousand, one hundred twenty thousand.

Q. Has there been a gradual increase in your volume?

A. We have a small, steady, gradual increase.

Q. Is the business a profitable one?

A. Yes, I would say so, from my viewpoint, anyway.

Q. Can you tell me what portion of the revenue that your company had last year was attributable to the central office business as opposed to the local business?

A. About $1,500 a month probably covers the whole central office income; fifteen, sixteen dollars a month, average, for a hundred accounts. If you want to include the other twenty-five—I don't think you are talking about that.

Q. What do you suppose the revenue was from those accounts?

A. From which ones?

Q. The direct-connected accounts.

A. About $1,500 a month.

Q. I am talking about direct-connected to police and fire——

A. (Interposing) I'm sorry. How much is fifteen times twenty-five? About three hundred twenty-five; is that right?

Q. That figure of three hundred twenty-five, does that represent the monthly revenue from your direct-connected subscribers?

[fol. 3052] A. That's right.

Q. And the balance of your revenue is from the local burglar alarm service?

A. That's right.

Q. Have you had occasion to utilize a telephone answering service in connection with the rendition of your alarm service?

A. No.

Q. You never had occasion to connect local burglar alarms into a telephone answering service?

A. No.

Q. Do you know whether that's done here in the city?

A. Yes, it is.

Q. Do you know what companies do that?

A. I think that Certified is the only one who is doing that.

* * * * * * *

[fol. 8053] Q. Is the equipment that you install in subscribers' premises approved by Underwriters Laboratories?

A. Some.

Q. Do you engage in any sort of manufacturing or assembly work?

A. We assemble some of our own equipment.

[fol. 8054] Q. What sort of equipment is that?

A. We purchase component parts and assemble the bell box and the control box, make a few of our own contacts, and that's about the extent of it.

Q. Do you observe any difficulty in securing leased lines from the phone company for use in connection with your central station service?

A. I don't think so.

Q. Do you generally use a direct wire, or do you put several subscribers on one leased line?

A. We are using both.

Q. Do you use code transmitters in cases where you have more than one subscriber on a single circuit?

A. Yes.

Q. Do you assemble those yourself?

A. We have assembled most of them.

Q. Have you had inquiries from other companies as to whether or not they could purchase your transmitters?

A. No.

Q. Or any of the other devices you assemble?

A. Oh, we will get an occasional inquiry.

Q. Are your sales of such equipment substantial?

A. No. We are not in a position to supply it to anyone else.

Q. You make them solely for your own use?

A. Yes.

[fol. 8055] Q. The central office which you operate hasn't been accredited or approved by Underwriters Laboratories or any other rating bureau, has it?

A. No.

Q. Have you made any application for approval?

A. No formal application. We have been considering it.

Q. As things now stand, do you have intentions of making your application?

A. I think so.

Q. In what end of the business are you? Perhaps you are in all of it.

A. I think the latter statement is correct; just about all of it.

Q. Are you in the sales end as well?

A. Yes.

Q. What functions does your partner perform?

A. Also primarily sales.

Q. Do you know whether any of the subscribers to your service receive insurance premium discounts as a result of having your service?

A. Some.

Q. You do issue Underwriters Laboratories certificates for local alarm systems, do you not?

A. Yes.

Q. Have you in the course of these considerations as to whether or not to make an application for an approval by [fol. 8056] Underwriters Laboratories given thought to the cost entailed in that?

A. I certainly have.

Q. And you are familiar with the requirements of Underwriters Laboratories for approval of your central office?

A. Yes.

Q. Have you estimated what the cost would be for you to secure approval?

A. Not really. I think it is quite a variable cost, depending on how extensively you are going into it.

Q. At what capacity does your central station now operate? In asking this question, I'm assuming that your central station has panels or consoles which are capable of handling a certain number of wires.

A. Yes.

Q. And that you have a hundred connected.

A. Yes.

Q. Do you have the capacity to handle more there?

A. Oh, there is probably a capacity to handle at least fifty more without any additional equipment.

Q. What percentage of your local alarm subscribers hold Underwriters Laboratories certificates?

A. Probably five or less per cent.

Q. Is that because the installation that you make in some places differs from others?

A. No. It is a competition picture. The equipment, of [fol. 8057] course, has to be purchased as opposed to our assembling the non-approved kind. And because of the

extra cost involved and the inability to get it in a subscriber, we kind of shied away from it.

Q. Do you ever install a system which would meet Underwriters Laboratories' specifications or requirements for certification and not issue the certificate because the subscriber wasn't interested in having it?

A. No.

Q. Do you know whether any of your central office service subscribers receive insurance premium discounts?

A. Some of them would on the basis of the local part of the alarm being approved.

Q. Do you know whether or not any of your direct-connected subscribers receive insurance premium discounts?

A. Again, they would, for the same reason.

Q. Do you know whether they in any cases receive discounts greater than that accorded for local service because of their connection to——

A. (Interposing) Not that I know of.

Q. It may be a fact and you not know of it?

A. That's possible.

Q. Where do you secure equipment that you don't manufacture for yourself?

A. The bulk of our equipment comes from the Alarm De-
[fol. 8058] vice Company in Brooklyn.

* * * * * * *

[fols. 8059-8060] Q. When a subscriber either fails to renew or if the subscriber cancels one of your contracts, what do you do with the equipment that you have installed in his premises?

A. We usually remove the control box and the bell box, and use it over again, if we can.

Q. Do you do anything at all with the equipment that you leave in the premises?

A. Not as a rule.

Q. And there are times when you do something with it?

A. I suppose there would be, yes.

Q. Do you leave the equipment intact in the event you believe that the next occupant of the premises might undertake to enter into a contract with you?

A. Quite often.

Q. And in cases where there is no such expectation, do

you then do something with the equipment ordinarily left in the premises?

A. Well, as I mentioned before, we remove the two boxes, and that's about the extent of it.

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[fol. 8061] Q. How is it that you know what the competition is charging, sir?

Mr. Levy: I object to the form of the question.

By Mr. Fritz:

Q. You did mention that competition is the determinant of your charges.

A. Well, not one hundred per cent. Maybe I answered that a little bit wrong. We have always tried to get a minimum, for instance, in our local alarm business of seven and a half dollars. When you go out and bid this and lose four, five, six, why, there is only one thing to do: cut the price down, when we determine that is the reason we are losing it. Usually, the prospect will tell you that you are out of line or too high, something to that effect.

Q. Do you on occasion permit a subscriber to pay the installation charge over a period of time?

A. Very rarely, and on that occasion it possibly would be half and half in thirty days, something along those lines.

Q. Have you ever spread the installation charge required of a central station subscriber over, say, a year's period?

A. No, never.

Q. You don't make any charges, do you, for repairs to the system that are necessary during the life of a contract?

A. Not as a rule.

Q. In some cases, do you?

A. Yes, sometimes when there has been a fire or some [fols. 8062-8064] damage beyond our or the customer's control, we may run up a charge to repair something.

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[fols. 8065-8066] Q. The only time an increase is placed into effect is when you secure some new business?

A. No. The one slight increase that we did have was a

general increase on all of the accounts, or an attempt on all of the accounts.

Q. That was placed into effect when various subscribers renewed their contract, was it not?

A. No. As a matter of fact, we just placed it into effect.

Q. Even as to subscribers who had contracts in existence with you calling for a lesser payment?

A. Yes.

Q. They went along with it?

A. Most.

Q. They must be very happy with you.

A. Well, our rates are low enough where the few who would call up and complain could see the position we were in.

Q. How big an increase was that?

A. I'm ashamed to tell you: fifty cents a month.

Q. That was on a seven dollar monthly charge?

A. That's right.

* * * * * * *

[fols. 8067-8069] Q. Who are your competitors in this city, Mr. Pierce?

A. I think you have the phone book there. They are all good and solid competitors.

Q. These various companies listed in the Yellow Pages?

A. Right.

Q. When you say that, are you referring to this yellow page?

A. Yes.

Mr. Fritz: May we have that yellow page marked as Defendants' Exhibit 2 for identification.

(The yellow page was marked Defendants' Exhibit No. 2 by the reporter.)

* * * * * * *

[fol. 8070] Q. Are your central station customers made up of organizations that previously took your local burglar alarm service?

A. Not too many.

Q. To what sort of establishments do you render your local burglar alarm service?

A. Pretty much to all mercantile establishments.

Q. And to what sort of establishments do you render your central station service?

A. Same type.

Q. And they are located where?

A. In the Greater Detroit area.

Mr. Levy: Would you define what is meant by "type," just so that I can conduct my cross-examination.

Mr. Fritz: Tell me to what sentence you are referring.

Mr. Levy: Would you read back Mr. Fritz's last two questions, please.

Mr. Fritz: I think the word "type" is sufficiently clear, and you are——

Mr. Levy: (Interposing) Are you directing the reporter not to read back the question?

Mr. Fritz: No, I am not. You are perfectly welcome to have it read back.

(The record was read by the reporter.)

[fol. 8071] By Mr. Fritz:

Q. Do you know whether there are more companies engaged in the protective business here in the city presently than in the past years?

A. There are a few more.

Q. Did you solicit any of your local burglar alarm customers in an effort to have them change over to central station service?

Mr. Levy: I object to the question as being repetitious. I think you have asked that two or three times already.

Mr. Fritz: I asked one question, and I didn't—I am not going to engage in colloquy here. I think we will ask the question.

A. In a very haphazard manner. We did it only by putting a small imprint on a return envelope that they normally would get.

By Mr. Fritz:

Q. Do you provide service to any department stores here in the city?

A. Well, department store, it would be difficult to define. If we do it, it would be a smaller type of department store.

Q. And how about supermarkets?

A. We have a few.

Q. I'm speaking of local burglar alarm service.

A. Yes.

Q. Drug stores?

A. Yes.

Q. Jewelry stores?

[fol. 8072] A. Yes.

Q. Clothing stores?

A. Yes.

Q. Electrical appliance stores?

A. Yes.

Q. Do you provide central station service to the various types of stores we just mentioned?

A. Yes.

Q. Do you have local alarm subscribers located in the same areas as central station subscribers?

A. Yes.

Q. Do you know whether you have ever secured as a customer of yours an establishment that previously received central station service from the defendant, ADT?

A. Yes.

Q. What type of service did you undertake to render?

A. We have had a few of both local and central station service.

Q. Is that also so with respect to Michigan Burglar Alarm?

A. I imagine.

Q. You don't recall that?

A. You mean Michigan taking accounts from ADT or we taking from Michigan?

Q. You taking from Michigan.

A. Yes, I think it has happened among all of us at some time or another.

[fol. 8073] Q. Have you taken away from Michigan central station customers?

A. I think so; one I am sure of that comes to my mind.

Q. What sort of service did you provide to that customer?

A. I believe we provided the same as he had previously.

Q. Do you recall whether that instance was subsequent to 1954?

A. No, it was after.

Q. It was after 1954?

A. That's right.

Q. Do you recall any incidents in which you solicited a subscriber in competition with ADT?

A. We have been called in on the same——

Mr. Levy: (Interposing) I am going to ask for clarification. When you refer to ADT, you also refer to Reliance Alarm Company, which is ADT?

Mr. Fritz: I will refer to ADT here. You clarify it in your direct examination.

Mr. Levy: That doesn't clarify it for Mr. Pierce.

A. I think the same answer would hold, anyway. Is your question have we gone out on competition against the ADT and/or Reliance?

By Mr. Fritz:

Q. Yes.

A. Certainly, we do.

Q. You make a distinction in your mind as between ADT and Reliance?

A. Not particularly any more.

Q. In some cases have you been the successful bidder?

A. Oh, yes.

[fol. 8074] Q. Do you recall whether you, being a successful bidder, supplied local burglar alarm service to a company which ADT had sought to sell central station service to?

A. I am sure.

Q. Do you know what sort of establishments were involved in that or those situations?

A. They would be a general mercantile type establishment.

Q. Here within the city proper?

A. Yes.

* * * * * * *

[fols. 8075-8077] Examination.

By Mr. Levy:

Q. Mr. Pierce, I believe you testified on your direct examination that your company does not provide any of the fire alarm services from your central station.

A. That's right.

Q. I speak of sprinkler supervisory, waterflow, automatic fire alarm services.

A. That is correct.

* * * * * * *

[fol. 8078] By Mr. Levy:

Q. You may answer the question, Mr. Pierce.

A. On many occasions we haven't had the opportunity to bid because we don't have approved central station business. A lot of this information comes from insurance agents, a lot of it from potential subscribers.

Q. Are you referring by insurance agents that they do not refer subscribers for bids to your company because you cannot provide accredited central station service?

A. Right.

Mr. Fritz: I object to the question as leading.

A. This is essentially correct.

By Mr. Levy:

Q. Have you ever lost a potential central station burglar alarm subscriber because of the fact that your company could not offer Underwriters Laboratories' approved service?

Mr. Fritz: I object to the form of the question.

A. Many times.

By Mr. Levy:

Q. Would you give me a specific instance?

A. It is quite difficult to remember names. I remember an auto accessory firm somewhere in the downtown district that we couldn't handle. There are many, many of them,

but at this time it is difficult to remember their names and addresses.

[fol. 8079] Q. Now, can a central station company which is not accredited to offer central station fire alarm service, in your opinion, compete effectively with a company that can for that type of business?

A. I don't think so.

* * * * * * *

By Mr. Levy:

Q. Based upon your experience in both the local and central station burglar alarm business, Mr. Pierce, would you describe the type and sizes of the business which utilize local as compared to central station burglar alarm service?

Mr. Fritz: You are using the word "type" in the same sense I used it?

A. It is going to be just as difficult to answer in both cases. Of course, the relatively larger firms, I believe, all prefer to use central station services. The smaller and medium-sized type of subscribers, I believe, are prospects with both.

* * * * * * *

[fol. 8080] By Mr. Levy:

Q. Could you give me an approximate average cost of installation and service of a central station system as compared to the installation and service to a local system?

A. I can only tell you our approximate.

Q. All right.

A. We only make an extra charge of $35 to install central office alarm. The rental charge I mentioned before would be based on whatever we would charge for the local alarm plus the cost of the telephone line and from five to seven dollars a month in addition for our service on a [fols. 8081-8082] central office end.

* * * * * * *

[fol. 8083] Q. I believe you testified on your direct examination that you have obtained former central station subscribers of ADT as subscribers to your central office service.

A. Right.

[fol. 8084] Q. Could you tell me how many in the past year?

A. Very small amount.

Q. Could you give me a numerical estimate?

A. Within the last year?

Q. Yes.

A. Less than five.

Q. The year before that?

A. Probably the same. Very small amount.

Q. And the year before that?

A. I don't remember.

Q. But at least in the last two years, five a year would be——

A. (Interposing) I think that would be stretching it.

Q. Not that many?

A. Probably not. You are speaking of alarms that we took that they previously had service on?

Q. That's correct.

A. That's right.

Q. Now, could you estimate for me the number of occasions which you met ADT bidding for a central office account in the past year?

A. I don't believe I could. It would be on numerous occasions, though.

Q. When you say numerous, how many do you mean? Are they your chief competitor? I am speaking now solely of central office.

A. Yes, definitely. Solely of central office.

[fol. 8085] Q. Could you estimate how many days you met them in the past year?

A. It is bound to happen at least once a week.

Q. Now, has your company ever obtained as a local burglar alarm subscriber a former central office subscriber of ADT?

A. Yes.

Q. How many in the past year?

A. Not very many.

Q. When you say not very many, how many would you estimate?

A. I really couldn't say. A small amount. When I say small, I mean possibly less than ten.

Q. And the year before that?

A. Probably the same.

Q. Now, speaking solely of your own service, Mr. Pierce, in the past year approximately how many of your central system subscribers discontinued that service and switched to local alarm service, to your knowledge?

A. Three or four.

Q. And the year before that?

A. Probably less.

Q. And the year before that?

A. Probably none.

Q. During the same period, again speaking solely of your local burglar alarm subscribers, how many of those subscribers discontinued local burglar alarm service and changed to central office service, to your knowledge?

[fols. 8086-8087] A. That probably would be about the same proportion; maybe five a year or so.

* * * * * * *

[fol. 8088] Q. Do you experience competition from ADT in the local or central station field?

Mr. Fritz: I object to the form.

A. I would say competition is keen on both of them.

* * * * * * *

[fols. 8089-8091] Examination.

By Mr. Fritz:

* * * * * * *

[fol. 8092] Q. Do I gather that the Ironrite Company was lost to ADT?

A. No, they weren't.

Q. I was just interested in what assumption you may have made.

A. No. As a matter of fact, I referred that to the Michigan Alarm Company, and I do believe they got the account.

Mr. Levy: They provide accredited central station service?

[fols. 8093-8095] A. The Michigan Alarm Company? Yes, they do.

* * * * * * *

[fol. 8096] Q. Did you submit central station bids to some of those subscribers which you had as local?

A. I imagine so.

* * * * * * *

[fol. 8097] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W32a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

against

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of ROBERT HALL CLOTHES, INC., by JULIAN C. COHN, upon written interrogatories propounded on behalf of defendants American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, and upon written cross interrogatories propounded on behalf of plaintiff United States of America, taken at the offices of Robert Hall Clothes, 333 West 34th Street, New York, New York, on Wednesday, August 28, 1963, at ten o'clock in the forenoon, before William Newrock, a Certified Shorthand Reporter and Notary Public within and for the State of New York.

* * * * * * *

[fol. 8098] JULIAN C. COHN, having been first duly sworn by the Notary Public, in response to the written interrogatories and cross interrogatories propounded by the Notary Public, deposed as follows:

Defendants' Direct Interrogatories:

Interrogatory No. 1: State your full name and address.

Answer: Julian C. Cohn, 185 Meadow Street, Garden City, Long Island.

Interrogatory No. 2: State the full name and address of

[fol. 8099] the company by whom you are employed, which will hereafter be called "your company".

Answer: Robert Hall Clothes, 333 West 34th Street, New York 1, New York—Robert Hall Clothes, Inc.

Interrogatory No. 3: What is your position with your company?

Answer: Expense Comptroller.

Interrogatory No. 4: How long have you held that position?

Answer: A year and a half.

Interrogatory No. 5: Does your company operate a number of retail clothing stores throughout the United States?

Answer: Yes.

Interrogatory No. 6: Approximately how many such stores are operated by your company?

Answer: Approximately 360.

Interrogatory No. 7: Under what names are these stores operated?

Answer: Robert Hall.

Interrogatory No. 8: Were any of these stores at one time protected by central station electric protective service furnished by American District Telegraph Company or [fol. 8100] Holmes Electric Protective Company?

Answer: Yes.

Interrogatory No. 9: If your answer to the preceding question is affirmative, state approximately how many such stores were so protected?

Answer: To my knowledge, nine.

Interrogatory No. 10: Was the type of protective service at these stores changed from central station to local burglar alarm service?

Answer: Yes.

Interrogatory No. 11: If so, approximately when did such change take place?

Answer: December 1959.

Interrogatory No. 12: Are these stores now protected by local burglar alarm service?

Answer: Yes.

Interrogatory No. 13: At the time your company changed the protection on its stores from central station service to local alarm service, what was the approximate average inventory valuation at each of such stores?

Answer: Approximately $125,000.

Interrogatory No. 14: Were the inventories of these stores covered by burglary insurance, and are they now covered by burglary insurance?

[fol. 8101] Answer: Yes.

Interrogatory No. 15: Have there been any substantial decreases in the inventory valuations of these stores which are now protected by local burglar alarm service?

Answer: No.

Interrogatory No. 16: Has your company's loss experience from burglary increased, decreased or remained the same since your company's stores were changed from central station service to local burglar alarm service?

Answer: Increased.

Interrogatory No. 17: Has your company's burglary insurance cost increased, decreased or remained the same as the result of your company's change from central station burglary alarm service to local burglar alarm service for its stores?

Answer: Increased.

* * * * * * *

[fol. 8102] Interrogatory No. 20: Was there any change in the nature or scope of the protection requirements at your company's stores that caused the change in type of alarm service?

If so, describe such change.

Answer: No.

Plaintiff's Cross Interrogatories:

Unless otherwise stated herein, the information required in the items of cross examination will be as of the end of the company's last fiscal year.

Cross Interrogatory No. 1: Describe in detail those duties which you perform that relate to burglary and/or fire alarm protection systems utilized by your company.

Answer: To determine the company which is to install the alarm in a store, sign the original contract and thereafter pay the bills submitted by that company for payment.

Cross Interrogatory No. 2: State the street address, city

and state where each of your company's stores are located and state the name under which each store operates.

[fol. 8103] Answer: Attached is a list of all the Robert Hall Clothes stores, containing the address, city and state. These stores are known locally as Robert Hall Clothes.

(Store List of Robert Hall Clothes was marked as Exhibit No. 1, as of this date.)

* * * * * * *

Cross Interrogatory No. 5: Identify each store described in Item 2 above, and state the value, in dollars, of the inventory items and/or fixtures located in each such store.

Answer: On an average of approximately $150,000.

[fols. 8104-8105] Cross Interrogatory No. 6: Identify each store in Item 2 above, and describe the type of fire protection service, if any, employed at each such store, e.g., central station, proprietary, auxiliary, direct connected to fire department, telephone answering service, local fire alarm.

Answer: We have no fire protection service.

* * * * * * *

[fol. 8106] Cross Interrogatory No. 11: For each store described in Item 10 above, state the name and address of the approved central station protection company which formerly provided central station burglar alarm service.

Answer: American District Telegraph, at 155 Sixth Avenue, New York 13, New York.

* * * * * * *

[fol. 8107] Cross Interrogatory No. 15: For each store described in Item 10 above, state the name and address of the alarm company which installed and services the local burglar alarm system, and the amount the company paid to the alarm company as an installation charge or advance service charge, and the monthly or annual service charge.

(a) State also whether an Underwriters Laboratories certificate has been issued on the local alarm system.

Answer: American District Telegraph Company, 155 Sixth Avenue, New York 13, New York.

The amount paid for installation, $130, in the case of both stores; and $144 for annual service charge in the case of [fol. 8108] both stores.

I cannot answer Subdivision (a) of Question 15.

* * * * * * *

Cross Interrogatory No. 17: For each store described in Item 10 above, state the insurance premium discounts obtained for utilizing central station burglar alarm protection service and the subsequent discount obtained for the utilization of local burglar alarm service.

Answer: I cannot answer. All stores are covered by a blanket policy.

Cross Interrogatory No. 18: State the name and address of the insurance company, or companies, which insure each of the company's stores protected by local burglar alarm systems.

Answer: Lumbermen's Mutual Casualty Insurance Company, Summit, New Jersey.

Cross Interrogatory No. 19: At any time since April 13, [fols. 8109-8112] 1951, did the company have an agreement with the American District Telegraph Company and the Holmes Electric Protective Company to protect all of its stores throughout the United States?

Answer: No.

Cross Interrogatory No. 20: Did the cost of approved central station burglar alarm service have anything to do with the company's decision to change to local burglary protection service?

Answer: Yes.

* * * * * * *

[fol. 8113] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W33a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

against

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Taking of deposition upon written interrogatories propounded on behalf of Defendants AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, and cross interrogatories propounded on behalf of the Plaintiff, UNITED STATES OF AMERICA, to HOWARD STORES CORPORATION, by KENNETH V. MCCLUSKEY, at the offices of Howard Stores Corporation, 40 Flatbush Avenue Extension, Brooklyn, New York, on Wednesday, August 21, 1963, at ten o'clock in the [fol. 8114] forenoon, by George Abraham, a Certified Shorthand Reporter and a Notary Public within and for the State of New York.

KENNETH V. MCCLUSKEY, having been first duly sworn by the Notary Public, deposed as follows in response to the written interrogatories as propounded by the Notary Public:

Defendants' Direct Interrogatories:

Interrogatory No. 1: State your full name and address.

Answer: Kenneth V. McCluskey.

Interrogatory No. 2: State the full name and address of the company by whom you are employed, which will hereafter be called "your company".

Answer: Howard Stores Corporation, 40 Flatbush Avenue Extension, Brooklyn 1, New York.

Interrogatory No. 3: What is your position with your company?

Answer: Director of Purchasing.

[fol. 8115] Interrogatory No. 4: How long have you held that position?

Answer: About eight years.

Interrogatory No. 5: Does your company operate a number of retail clothing stores throughout the United States?

Answer: Yes.

Interrogatory No. 6: Approximately how many such stores are operated by your company?

Answer: Approximately 140.

Interrogatory No. 7: Under what names are these stores operated?

Answer: Under the names of Howard Clothes, Ripley Clothes and Foreman & Clark.

Interrogatory No. 8: Were any of these stores at one time protected by central station electric protective service furnished by American District Telegraph Company or Holmes Electric Protective Company?

Answer: Yes.

Interrogatory No. 9: If your answer to the preceding question was affirmative, state approximately how many such stores were so protected?

Answer: I would say around 80 percent of them.

Interrogatory No. 10: Did these stores carry inventory [fol. 8116] valuations of $135,000 and upwards, and do they now carry such valuations?

Answer: Yes.

Interrogatory No. 11: Were the inventories of these stores covered by burglary insurance, and are they now covered by burglary insurance?

Answer. Yes.

Interrogatory No. 12: Was the type of protective service at these stores changed from central station to local burglar alarm service?

Answer: Yes.

Interrogatory No. 13. If so, approximately when did such change take place?

Answer: Three or four years ago.

Interrogatory No. 14: Are these stores now protected by local burglar alarm service?

Answer: Yes.

Interrogatory No. 15: Have there been any substantial decreases in the inventory valuations of these stores which are now protected by local burglar alarm service?

Answer. No.

Interrogatory No. 16: Has your company's loss experi-
[fol. 8117] ence from burglary increased, decreased or remained the same since your company's stores were changed from central station service to local burglar alarm service?

Answer. About the same.

Interrogatory No. 17: Has your company's burglary insurance cost increased, decreased or remained the same as the result of your company's change from central station burglary alarm service to local burglar alarm service for its stores?

Answer: To my knowledge, it is the same.

Interrogatory No. 18: Does your company use recording time clocks on its stores?

Answer: In some cases.

Interrogatory No. 19: If your answer to the previous question is affirmative, describe the service provided by such locks.

Answer: Silent watchman.

Interrogatory No. 29: Was there any change in the nature or scope of the protection requirements at your company's stores that caused the change in type of alarm service? If so, describe such change.

Answer: No change.

* * * * * * *

[fol. 8118] Cross Interrogatory No. 3: Identify each store described in Item 2 above, and state: (a) the general type of construction, and (b) the approximate area, in square feet, of each installation.

Answer: That is not available.

Cross Interrogatory No. 4: Identify each store described in Item 2 above, and state whether your company owns or leases each such store.

Answer: We primarily lease the stores, but I think that would be the answer.

Cross Interrogatory No. 5: Identify each store described in Item 2 above, and state the value, in dollars, of the inventory items and/or fixtures located in each such store.

Answer: That would be too big a task getting that together.

Cross Interrogatory No. 6: Identify each store described in Item 2 above, and describe the type of fire protection service, if any, employed at each store, e.g., central station [fol. 8119] proprietary, auxiliary direct connected to fire department, telephone answering service, local fire alarm.

Answer: With very few exceptions, we have no fire protection in our stores; only where demanded by landlord.

Cross Interrogatory No. 7: Identify each store described in Item 2 above, and state the distance in miles between each such store and an approved central station electric protection service company.

Answer: A great many of our stores are centrally located, and therefore would be fairly close to central service stations.

Cross Interrogatory No. 8: Identify each store described in Item 2 above, and state the amount of burglary insurance coverage maintained by your company on each such store.

Answer: I don't have that information.

Cross Interrogatory No. 9: State by store name, street address, city and state, each of those stores which, at any time during the period April 13, 1951 to date, were protected by approved central station burglar alarm service.

Answer: It would be too much of a job to get that.

[fol. 8120] Cross Interrogatory No. 10: State by store name, street address, city and state, each of those stores which have terminated approved central station burglar alarm service and changed to local burglar alarm service and the date each such change was made.

Answer: The only way you could get that would be to go to our Accounts Payable Department, and I doubt if they would have the time to give it to you.

If you want it, I imagine you would have to subpoena it.

Cross Interrogatory No. 11: For each store described in Item 10 above, state the name and address of the approved central station protection company which formerly provided central station burglar alarm service.

Answer: Same answer as to Question 10.

Cross Interrogatory No. 12: For each store described in Item 10 above, state the installation charge or advanced service charge paid by your company for the installation of each central station burglar alarm system.

Answer: The same answer would go there.

Cross Interrogatory No. 13: For each store described in Item 10 above, state the monthly or annual service charge as set forth in the contract for central station burglar alarm [fol. 8121] service on April 13, 1951.

Answer: Same thing.

Cross Interrogatory No. 14: For each store described in Item 10 above, state whether or not the company rendering central station protection service had sought and/or obtained an increase in the monthly or annual service charges at any time from April 13, 1951 to the date of termination of the central station protection service.

(a) If so, state the amount of each such increase sought or obtained for each such store.

Answer. I assume that there were increases.

(a) That answer would also have to be gotten from the Accounts Payable.

Cross Interrogatory No. 15: For each store described in Item 10 above, state the name and address of the alarm company which installed and services the local burglar alarm system, and the amount the company paid to the alarm company as an installation charge or advance service charge, and the monthly or annual service charge.

(a) State also whether an Underwriters Laboratories [fol. 8122] certificate has been issued on the local alarm system.

Answer: That I would have to get from the Accounts Payable.

(a) I doubt it. We haven't found it necessary.

Cross Interrogatory No. 16: Identify by store name, street address, city and state, each of your company's stores which have terminated local burglar alarm service and changed to central station burglar alarm service, from April 13, 1951 to date.

Answer: I would say practically all of them.

Cross Interrogatory No. 17: For each store described in Item 10 above, state the insurance premium discounts obtained for utilizing central station burglar alarm protec-

tion service and the subsequent discount obtained for the utilization of the local burglar alarm service.

Answer: I have been told that we got no discount because of the central service station. Therefore, we discontinued the central service station and put in our own system, bought our own system.

Cross Interrogatory No. 18: State the name and address of the insurance company, or companies, which insure each of the company's stores protected by local burglar alarm [fol. 8123] systems.

Answer: All Risk, policy, Lloyd's of London.

Cross Interrogatory No. 19: At any time since April 13, 1951, did the company have an agreement with the American District Telegraph Company and the Holmes Electric Protective Company to protect all of its stores throughout the United States?

Answer: Offhand, I would say not all of our stores, but they handled quite a few of the stores, a majority of them.

Cross Interrogatory No. 20: Did the cost of approved central station burglar alarm service have anything to do with the company's decision to change to local burglary protection service?

Answer: This was done in the name of economy.

Cross Interrogatory No. 21: Identify by store name, street address, city and state, each of the company's stores which are wholly unprotected by either central station burglar alarm service or local burglar alarm service.

[fols. 8124-8127] Answer: With the exception of a few in Florida and a few on the West Coast, they are all protected by local alarm systems.

* * * * * * *

[fol. 8128] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W34a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of JOHN S. NACEY, called by the defendants for examination pursuant to subpoena and pursuant to the Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions for the purpose of discovery, taken before SEYMOUR L. WOLFE, a Notary Public within and for the County of Cook and State of Illinois, at Suite 1825, One North La Salle Street, Chicago, Illinois, on the 1st day of October, A.D. 1962, commencing at the hour of 10:00 o'clock a.m.

* * * * * * *

[fol. 8129] JOHN S. NACY, called as a witness herein by the defendants, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Fritz:

Q. Would you please state your full name and home address.

A. Yes. I am John S. Nacey, of West County Line Road, Barrington, Illinois.

Q. Are you engaged in the protective business, Mr. Nacey?

A. Yes. In the fire protection business.

Q. Are you affiliated with any company?

A. I am the President and one of the stockholders of Howe Electric Company of Chicago.

Q. Where is that located?

A. We have two offices: 53 West Jackson is the main office. Our other office is 189 West Madison, both in Chi-
[fol. 8130] cago.

Q. For how long have you been the President of the company?

A. I would have to guess. Since 1957, roughly.

Q. All right, sir. Prior to that, were you connected with the company?

A. No.

Q. Is that a corporation organized under the laws of this state?

A. A corporation under the laws of the State of Illinois.

Q. Was it in existence prior to 1957 when you became affiliated with it?

A. Yes.

Q. Do you know how long that corporation has been in existence and engaged in the protection business?

A. Well, the company dates from 1903. I believe it has been actively engaged in the fire protection business since 1930.

Q. Would you tell me in a general way what the business of the company consists of?

A. Well, we sell, distribute and install products made under our own label, Howe Electric Company. These are generally Underwriters Factory Mutual approved fire alarm equipment.

Q. Could you describe the type of products manufactured, sold and installed by the company?

A. We chiefly deal with three products. We sell and install water flow indicators, which are used on automatic sprinkler systems.

We sell and install fire bells, which are used for general alarm purposes and we sell and install enunciator systems which are used to indicate the location of alarm.

We also sometimes connect these alarm systems in smaller cities or villages directly to either the police or fire station.

Q. Does your company manufacture each of those items

which you just referred to, Mr. Nacey, or does it purchase them and simply sell and distribute them and install them?

A. There is a manufacturing company called Howe Devices, of which I am the sole owner of.

Q. And what does that company do?

A. They have a license from the Howe Electric Company to manufacture the products which I have described.

Q. I see. So all the manufacturing activity is carried [fol. 8132] on by Howe Device Company?

A. Devices.

Q. And the sales and the installation aspects of the business are handled by Howe Electric?

A. That is correct.

Q. Is the Howe Devices Company located here in Chicago?

A. Yes. Its factory is here at 831 South Wabash.

Q. And how long has that corporation been in existence? I am assuming that it is a corporation.

A. That was a partnership between Mr. Frank W. Jackson, who was Treasurer of the Howe Electric Company, and John S. Nacey, sole partners. Mr. Jackson is deceased as of April 6, 1962.

Q. And now it is a sole proprietorship?

A. Yes.

Q. When did the partnership, known as Howe Devices, commence its operations?

A. Roughly, 1952.

Q. And from 1952 down to the present time, it is engaged in manufacture of the devices referred to in your earlier answers?

A. Yes.

[fols. 8133-8134] Q. Does the Howe Electric Company do any manufacturing?

A. No.

Q. Does it engage in any assembly type work?

A. No.

Q. How many employees does Howe Electric have?

A. They have eight Union electricians and they have two office personnel.

Q. Does it have any sales people?

A. Outside of the efforts by the President, myself and an associate, who is not an officer of the company, Mr.

Cerny, and Mr. Walter Schemmel, Vice President, the sales activities are conducted solely by those three men.

Q. Mr. Schemmel and Mr. Cerny are not included in the electricians and two office help that you mentioned?

A. Yes and no. Mr. Schemmel sort of acts in the dual capacity as an officer of the company and a supervisory foreman in the field.

Q. All right, sir. Now how many employees does the Howe Devices Company have?

A. They have three employees and a part-time girl who does billing.

* * * * * * *

[fol. 8135] Q. Does Howe Devices sell its products to any purchaser other than the Howe Electric Company?

A. No, sir. All of our billing is done to the Howe Electric Company.

Q. You mentioned before that one of the items manufactured by Howe Devices is a bell. Is that an electrical bell or a water-driven bell?

A. Yes. All of our products are electrically activated.

Q. You mentioned also water flow indicators.

A. Yes.

Q. Is that also known as a water flow switch?

A. Yes, a water flow switch.

[fol. 8136] Q. That also is an electrical device, is it not?

A. Yes.

Q. And it is attached to a pipe or part of a sprinkler system?

A. It is only used for what they call a wet pipe automatic sprinkler system. It is inserted in the pipe and has a paddle type activated movement.

Q. Would you describe generally the nature of the enunciator equipment?

A. The enunciator equipment are panels with bull's-eye type glasses mounted in the panel. These are numbered from one up to 100 and are used to indicate different zones in a plant where a sprinkler alarm system is installed.

Q. Are these panels used in the same premises where the sprinkler system is located?

A. Wherever there is more than one flow switch installed, usually an enunciator panel is furnished.

Q. In the same premises where the sprinkler system is located?

A. Yes.

Q. That indicates the location from which the alarm originated?

A. Yes.

[fol. 8137] Q. Does Howe Devices sell its products to Howe Electric at cost?

A. No. It sells them for profit.

Q. Could you tell me what the volume of Howe Devices' sales to Howe Electric was in the past year?

A. I would say about ninety to one hundred thousand dollars.

Q. Does that figure apply also to prior years?

A. No. We have had a steady increase of almost 10 percent per year.

Q. That is true as of how many years, approximately, sir?

A. Since its inception of Howe Devices.

Q. Could you tell me in what type of fire alarm system these devices are utilized?

A. Well, there would be two types of systems in which these devices would be utilized. One would be for solely wet type sprinkler alarm purpose. The other type would be where the sprinkler alarm is part of a master fire alarm system and there are other devices which have been installed throughout the plant, largely consisting of manual or automatic fire alarm detection equipment of other nature.

* * * * * * *

[fol. 8138] Q. Are these devices utilized as a part of a local alarm system? Are you familiar with what I mean when I say a local fire alarm system?

A. Yes. Yes. Principally for a local fire alarm system.

Q. Are these same devices utilizable in direct connected systems, and by a direct-connected system I mean those which are connected with fire or police station.

A. Yes.

Q. Are these items usable as a part of an auxiliary alarm system, and by auxiliary system I mean the type of system which transmits an alarm over a municipal fire alarm telegraph system to police or fire headquarters.

A. Yes.

Q. Are these items usable as a part of a central station alarm system?

A. Not very practical in their adaption to what we know as a privately owned central station, receiver station.

[fols. 8139-8140]

* * * * * * *

[fol. 8141] Q. Sir, I show you these three documents and ask whether you are at all familiar with these?

A. Yes. This is our literature.

Q. Is this the same material that you are willing to supply to us?

A. Yes, it is.

Q. It is identical?

A. Yes, sir.

[fol. 8142] Q. Well, then perhaps we could have these documents marked and you will be relieved of the trouble of supplying them at a later time.

I show you this document, sir, and ask you what that is?

A. This is a description of our fire bell line.

Mr. Fritz: Thank you. And I ask that that be marked Defendants' Exhibit A, for identification.

(Whereupon the above-mentioned document was marked Defendants' Exhibit A, for identification.)

By Mr. Fritz:

Q. Would you kindly tell me what that document is, sir?

A. This is a general description of Howe water flow indicators switches, which we are presently making.

Mr. Fritz: Thank you, sir. And I ask that to be marked as Defendants' Exhibit B, for identification.

(Whereupon the above-mentioned document was marked Defendants' Exhibit B, for identification.)

By Mr. Fritz:

Q. I ask you to look at that, sir. Can you tell me what [fols. 8143-8144] that is?

A. This is a descriptive sheet of an explosion-proof water flow indicator that we make.

Mr. Fritz: Could we have that marked as Defendants' Exhibit C, for identification.

(Whereupon the above-mentioned document was marked Defendants' Exhibit C, for identification.)

By Mr. Fritz:

Q. Sir, I ask you now to look at Defendants' Exhibit B and at about the center of the page I see the language stating that the switch can be used in connection with coded or non-coded systems, proprietary or central station or for combination of local and central station, and that it can be used also in connection with municipal fire alarm systems. Is that a fair statement?

A. I believe it is.

Q. All right, sir, I show you Defendants' Exhibit C and ask you whether or not there is similar language contained in that?

A. Yes.

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[fol. 8145] Q. Could you tell me to whom or the nature of [fol. 8146] the customer to whom the outright sales are made?

A. Basically, I would say that a quarter of our sales are made to automatic sprinkler companies.

Q. These are the outright sales?

A. These are outright sales.

Q. And the remaining three-quarters of the outright sales, to whom are they made?

A. Well, another quarter of these remaining sales would be, more or less, a contract where we do the wiring and installation of the sprinkler alarm system ourselves.

Q. And the remaining half?

A. The remaining half would be to distributors or customers who are requesting replacement for former switches that we manufacture.

• • • • • • •

Q. Are any outright sales made to companies that are [fol. 8147] engaged in the alarm business, and by that I

mean companies which are engaged in rendering alarm service?

A. We do have one large customer, the Gamewell Company, for whom we manufacture their entire line of alternating current of fire bells, which are used in Gamewell's municipal fire alarm systems.

• • • • • • •

[fol. 8148] Q. Now you mentioned earlier that one-quarter of your sales are made outright but that you, in addition, do the installation or the wiring work. Am I correct in stating that?

A. On a contract basis, you are correct.

[fol. 8149] Q. Would you explain that to me in some more detail?

A. Well, the Howe Electric Company in its contracting activity serves as a subcontractor under the automatic sprinkler contractor.

Q. And in these cases, does Howe Electric actually sell the device to the sprinkler company but then go ahead and install and wire it, or does it sell it to the owner of the sprinkler system or the purchaser of the sprinkler system?

A. It will sell directly to the automatic sprinkler company or it will include within its installation contract the devices required by the sprinkler contractor.

Q. Now I assume that we now have been discussing the outright sales aspects of Howe Electric's business in these past several questions and that we have yet to discuss that portion of its business which consists of sales and installation or have we covered both?

A. I would say that we have covered both.

Q. I see. Is all of Howe's installation work done under subcontracts with sprinkler companies?

A. I would say approximately eighty or ninety percent is done with the sprinkler contractor rather than direct with a plant owner.

• • • • • • •

[fol. 8150] Q. Are you familiar with the type of customers who purchase these devices from the distributors to which Howe sells them or don't you sell to the distributors? Is this a consignment arrangement?

A. No. We sell to the distributors but I am not sure who their eventual users would be.

Q. Could you tell me who those distributors are? I gather there are two of them.

A. We have Sidney Samuels in New York City and we have Scott Campbell in Los Angeles.

Q. Are these two individuals or are they companies or corporations?

A. They are companies doing business under respective names.

[fol. 8151] Q. All right, sir. Do you ever enter into service contracts calling for you to perform maintenance work on the systems installed by you?

A. Very rarely.

Q. Do you know how many such contracts you have in effect?

A. Not over three or four.

Q. Do you sell this equipment on a nationwide basis?

A. We would, if we were approached by any company in any state.

Q. Where do you perform your installation activities?

A. Within the three states surrounding Illinois and in Illinois itself.

Q. Is the bulk of those activities conducted here in the City of Chicago?

A. I would say the bulk is done in what we know as the greater Chicago area.

Q. Can you tell me the percentage, approximately, of what you would do in the city?

A. I would say about sixty to seventy percent would be in the greater Chicago area.

* * * * * * *

[fol. 8152] Q. Well give me your total sales. That would be your gross revenue, I would assume.

A. I will have to break the sales of How Electric down into two departments. One would be the sale of products and that would approximate $100,000 a year.

I would say the contracting activities, where we do make a profit on both devices and labor furnished for a complete sprinkler alarm installation, would be approximately $120,000 in addition.

Q. So the gross revenue runs about $220,000?
[fol. 8153] A. About $220,000.

Q. Do those figures apply for each of the five past years?
A. No.

Q. Or approximately?

A. The last year was perhaps the most profitable in the history of the company.

Q. Could you give me some estimation of the revenues derived from sales in the prior years? Say the prior four years.

A. I would say that you would probably be off about 20 percent of the figures that I have just rendered.

Q. Twenty percent in each succeeding year?

A. No, from the total that I mentioned.

Q. Does Howe Electric sell devices other than those manufactured by Howe Devices?

A. We do not sell other devices but we do contract for and install other alarm systems which are not manufactured by the Howe Electric Company or Howe Devices.

Q. For what other companies is that work done?

A. We act as an installing agent for the Notifier Company of Lincoln, Nebraska, and we do quite a substantial institutional business, principally handling fire alarm sys-
[fol. 8154] tems for local purposes made by the S. H. Couch Company of Boston.

Q. When you say "for local purposes", do you mean that these Couch systems, which you install, are local alarm systems?

A. Yes. They are mostly intended for hospitals, rest homes.

Q. What type of systems do you install for the Notifier Company?

A. For the Notifier Company, I have a large variety of systems that we could install. I could install a complete municipal fire alarm system for a city or I could install a local fire alarm system or an auxiliary fire alarm system. I could combine it with any of the devices that we manufacture and sell and contract for.

Q. Do you install any direct-connected systems for Notifier?

A. Yes. By "direct-connected", I assume that you mean

directly connected into either a fire station or a police station?

Q. Right, sir. And with that assumption, the answer is yes?

A. Yes.

[fol. 8155] Q. Do you install any proprietary systems for Notifier?

A. Yes, I do.

Q. And before you, in several answers, said that you could install a certain type of system. You used the word "could". I want to know whether, in fact, you have and do install such systems.

A. I do install such systems but we do not spend too much time on attempting to sell systems to municipalities.

Q. You mean the municipal fire alarm telegraph systems, the fire box, is that what you refer to?

A. Yes.

Q. In what geographic area do you perform this work for Notifier and Couch?

A. Largely in the greater Chicagoland area.

Q. Could you tell me what revenue your company derives from those activities for Couch and Notifier?

A. I would have to guess and it varies extremely.

Q. Well, Mr. Nacey, I really would not want a guess. If you are satisfied that this is a fairly accurate estimate, a reasonably accurate estimate of your revenue, then I would like to have your answer.

A. I think I could give you a very close estimate.

[fols. 8156-8157] Q. All right, sir.

A. I would say about five percent.

Mr. Story: I do not quite understand. Five percent of your other totals?

The Witness: Of our total contract volume.

By Mr. Fritz:

Q. So those figures that you gave us before, Mr. Nacey, which I believe added up to a gross revenue of roughly $222,000, do I gather that that $220,000 includes the revenues that you derive from the work that you do for Couch and Notifier?

A. The figures I gave you for the contract volume does

include the work that we do using either a Couch or Notifier fire alarm system.

* * * * * * *

[fol. 8158] Q. Mr. Nacey, do you know whether the owners of premises wherein you have installed these various systems and devices that we have been talking about are qualified to receive discounts on their insurance premiums by reason of having your systems?

A. Yes. In institutions where we install a system, they are entitled to receive an insurance discount on their fire insurance.

Q. When you say "institutions", do you refer to private and commercial institutions as well as public institutions?

A. Yes.

Q. By "institution", you mean an enterprise or some business establishment?

A. No. I believe I said before we do quite a few hospitals and rest homes and schools and colleges.

Q. All right, sir. Do you install either the Couch or Notifier systems or your Howe Electric systems in places [fol. 8159] other than institutions such as those?

A. Oh, yes. The products that we make are usually installed in an industrial plant rather than in an institution. However, in some large institutions, some of our Howe products are used because a sprinkler system is present.

Q. Do the business establishments or industrial plants, as well as the other institutions, receive discounts on their insurance premiums by virtue of the fact that they have your systems?

A. Yes. Our fire alarm systems are generally regarded as a part of an over-all credit, just as fire extinguishers are, exit lights, fire escapes.

Q. It enters in some way, then, into the computation of a discount which is accorded by reason of the various types of fire protection equipment located in the protected premises?

A. That is correct.

Q. Thank you. Do you have any competitors?

A. Yes. Out here in Chicago we have the Autocall Company, which is from Ohio and manufactures, sells and contracts for similar products that we make.

Q. Do you regard companies located here in Chicago [fol. 8160] which will render local fire alarm service as competitors of yours?

A. May I have a repeat on that question?

(Whereupon the question was read by the Reporter.)

By the Witness:

A. Very definitely.

By Mr. Fritz:

Q. Do you regard companies which render other types of protective service, such as direct connected, proprietary, auxiliary or central station as competitors of yours?

A. Yes.

Q. Do you know the names of some of the companies in Chicago who engage in these various types of service?

A. Well, in Chicago we have at least five companies that actively solicit fire alarm business, whether they are of local or of private central station nature.

Q. Do you know the names of those, sir?

A. I know most of the names. Central Watch Company here in Chicago, the American District Telegraph, Autocall Company, Kedzie Protective Patrol, and some other electrical contractors who do a considerable volume of [fol. 8161] local fire alarm installations.

Q. Are these electrical contractors companies that engage in general electrical work or do they have a specialty of alarm work?

A. I believe that the other electrical contractors regard fire alarm work as occasionally a necessity. In short, they are doing the installation of general electric wiring in a plant and the architect's specifications call for the installation of a fire alarm system.

Q. Your company is not a general electrical contractor, is it?

A. It sometimes acts as that with very good industrial clients.

Mr. Story: When he says "fire alarm", what kind of fire alarms is he talking about? He is confusing me. Will you identify that?

By Mr. Fritz:

Q. Sir, when you spoke of the work done by electrical contractors, the work they do in installing fire alarm systems, did they install systems of various types, depending on what the architect calls for?

A. That is right, they vary extremely.

Q. They run the gamut, do they, from, say, local alarms [fols. 8162-8163] to proprietary systems to direct connect or whatever the architect wants?

A. Well, the architect usually specifies by name the type of system that he would like and very often our products are mentioned in his specifications.

Q. And at times are other company's products mentioned in architect's specifications, if you know?

A. Oh, yes. Quite often.

Q. And different types of systems are mentioned in the specifications?

A. Very often.

Q. And these various types of systems are installed by the general electrical contractor if he happens to have the electrical work on the particular job?

A. That is correct.

Q. All right, sir. Are there many electrical contractors here in the City of Chicago who engage in that sort of work?

A. I would say there are at least a dozen who do a considerable volume of fire alarm work.

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[fol. 8164] Q. Have you heard of the Spurling Company in Tennessee?

A. Yes, I have. The Spurling Company acts very much like the Notifier Company of Lincoln, Nebraska, making panel board equipment almost identical in nature.

Q. And do you know whether Spurling equipment is installed by any of the electrical contractors here in [fol. 8165] the Chicago area?

A. Before the Notifier Company came into existence, I personally purchased three or four Spurling fire alarm systems which I installed in convalescent homes.

Q. Do you know whether Sperti-Faraday systems are installed in this area by electrical contractors?

A. Yes. Edward's Sperti-Faraday systems are installed by local electrical contractors and I personally have installed many Sperti-Faraday systems.

Q. Are these systems of Sperti-Faraday, Spurling, are they of a particular type or are they of various types?

A. They have various types. I might say that Spurling systems are low voltage systems, employing normally the source of power from the AC source but equipped with a transfer switch within the panel that upon failure of the AC current will swing completely over to the battery supply and operate on its reserve power supply.

Q. Do these companies provide systems which can be described as local alarm systems or which can be used as a part of a direct-connect system or proprietary system?

A. I believe the Notifier Company certainly builds a system for every purpose.

[fol. 8166] Q. Is that so also of Autocall?

A. To some degree. Not as much as the Notifier Company.

Q. What about Sperti-Faraday?

A. Sperti-Faraday mostly builds local systems that solely run on 110 volts AC.

Q. Are such systems connected into fire headquarters by direct lines?

A. Yes, in the City of Chicago today they can be installed in a school or a hospital and are directly connected to a Gamewell type box on the street which is provided by the City of Chicago and comes directly into the fire department of the City of Chicago.

Q. Do you know whether there are auxiliary systems in establishments such as feeders in this city?

A. I do not quite get the meaning of your word "auxiliary" here.

Q. By "auxiliary", I mean a fire alarm system located on a protected premises which is connected to a master box which is, in turn, connected to the municipal fire alarm system.

A. I personally do not know the answer to that question.

[fol. 8167] Q. Do you know whether there are any such systems installed in any industrial establishments in this city?

A. Yes, I do know of that.

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Q. Do you install your systems in warehouses?

A. Yes, I go after the warehouse business.

Q. Do you get warehouse business?

A. We get considerable warehouse business.

Q. Do you install your systems in factories?

A. Yes, we install our systems in factories.

Q. Do you install your systems in commercial establishments such as stores?

A. Very few commercial establishments.

Q. In department stores?

A. Well, that is what I thought you meant by that, department stores.

Q. Retail stores?

A. No, we do not go after the smaller retail stores.

Q. Loft buildings?

A. Yes, because most loft buildings are generally [fols. 8168-8169] sprinklered and we provide a complete sprinkler alarm system for the loft buildings.

A loft building is sort of where you can carry on light manufacturing. You know, a garment worker might be there.

Q. A loft building, would you tell me whether this is a fair description. If it is not, please say so. A loft building can be or is, generally speaking, a rather large building occupied by many tenants. The space occupied by them referred to is a loft.

A. You are correct. At least that is my interpretation.

Q. And these tenants carry on their various types of businesses?

A. That is correct.

Q. Some of them may be in the business of selling or displaying goods?

A. That is correct.

Q. Whereas others in the same building might be carrying on, for example, textile manufacturing?

A. That is correct.

Q. Printing?

A. That is correct.

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[fol. 8170] Cross-examination.

By Mr. Story:

Q. Now, sir, Mr. Fritz a moment ago asked you whether or not any of your sprinkler alarm systems have been connected to a fire department in Chicago.

[fol. 8171] A. Yes. We did offer half the schools in the City of Chicago and the systems are tied into the municipally owned fire department central receiving board.

* * * * * * *

Q. Now, sir, outside of schools, garment buildings and such, what is commonly referred to as governmental institutions, do you have any of your sprinkler alarms connected to the Chicago Fire Department which is a non-charitable or non-governmental institution?

A. Can I have you repeat that, Mr. Story? I want to answer you correctly.

Q. Have you got any commercial accounts which you have tied to the fire department of the City of Chicago?

A. No, we do not.

Q. Have you ever attempted to tie any of those sprinkler alarm systems to the fire department in Chicago?

A. No, sir, I have not because the city has not indicated the desire to do this.

Q. Do you have any of your alarms in the City of [fol. 8172] Chicago connected by private telephone line with the fire department or any of its substations in the City of Chicago?

A. Yes, sir. I just mentioned that we have all of the schools tied directly into the City of Chicago.

Q. All right, sir. Now outside of your what we would call governmental institutions, whatever they would be, do you have any commercial accounts tied to the fire department?

A. Well, do you mean the fire department of the City of Chicago?

Q. Yes, sir. That is my question.

A. I do not believe we have.

Q. Well, do you know whether you do or you do not?

A. There is a possibility that some of the older systems that we installed might be connected by means of a trans-

mitter mounted adjacent to our switch and could possibly be coming into Central Watch or Kedzie Patrol.

Q. But that is a central station and not the fire department, is that correct?

A. I stand corrected.

Q. Yes.

A. I thought you included the central station within [fol. 8173] the scope of your question.

Q. No, sir. I am talking about——

A. I stand corrected.

Q. I am talking about right to the fire department or any branch thereof in the City of Chicago.

A. No, sir.

Q. Now, Mr. Fritz asked some very general questions about you installing your fire alarms in warehouses.

Mr. Fritz: I object to your characterizing the question as being a very general one.

By Mr. Story:

Q. Let us get specific. Could you tell us what type of a fire alarm have you installed within the City of Chicago, one of your alarm systems, and tell us the type?

A. Well, I have put in a very large Notifier system for Swift and Company here at the Union Stock Yards.

Q. Well, we will talk about that later. Let us talk about —was that a warehouse?

A. That is three warehouses, sir.

Q. Three warehouses?

A. Connected together.

Q. I see. Now those three warehouses at Swift and Company, what type of an alarm did you install at Swift [fol. 8174] and Company?

A. That is a heat actuated electric fire detection system.

Q. Now does that connect by wire to any outside agency?

A. That does not use telephone wire. It uses conduit running over to their own police protection center.

Q. In other words, it is a proprietary system that you installed out at the Swift and Company?

A. That is correct.

Q. Would you tell us what you mean by a proprietary system?

A. A proprietary system is generally regarded as a system used in a very large plant where they have either a police force or a privately operately fire department.

Q. So the installation that you made out there goes nowhere other than to the panel board within the premises itself?

A. That is correct.

Q. Now how many such proprietary systems has your company installed in the Chicago city limits in the last five years?

A. Oh, I would say we have about, and I cannot be [fols. 8175-8177] exactly accurate, but from five to ten such systems in the last five years.

Q. Now in addition to the Swift and Company, would you name those companies for me, please, sir?

A. Well, I have Simonize Company out here in Chicago; I have Pullman Company; I have Electromotive Company and I am afraid I cannot think of the other ones that we do have here.

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[fol. 8178] Q. Now, sir, on these proprietary systems that we are talking about in the City of Chicago, does your company have a maintenance or service contract in connection with those systems?

A. In our contract letter that we send them out, we put the full responsibility of notifying us when the trouble bell or trouble light sounds to indicate trouble. We agree to repair that system within 24 hours of our notification.

Q. Now do they pay you an annual service charge or do they pay you on a per-call basis?

A. I think we have only one maintenance contract for a flat sum of money. The others are very much per the trouble call and they pay us for our labor rendered to repair the system and put it back into operation.

Q. Now the one where you do have a contract for service for a period of years, which one is that, sir?

A. That is Montgomery Ward and Company at Gary, Indiana.

Q. And how far is Gary from Chicago?

A. I have to guess but it takes about an hour and 10 minutes to get down there so I would say probably 45 miles.

[fol. 8179] Q. Now, sir, of all the fi alarms that you have installed throughout the years, as of today, do you have any other contract where you charge them a maintenance charge on an annual basis, irregardless of your calls?

A. We do not have a definite contract with any of our other customers. Although we do send them out an annual reminder that their system should be checked and the standby batteries replaced and generally they accept the notice that we send them.

In that notice, we do give them a flat-sum price for checking over their system and repairing and replacing the standby batteries.

Q. In the event that they do not request you to service this system when you send your notice out, do you take any action?

A. Yes. I usually telephone them following the letter.

Q. But your company is not legally obligated to go and check or test any of these systems without the subscriber requesting such a testing, is that correct?

A. You are correct.

Q. Now, sir, you have mentioned that you have installed [fol. 8180] some of your alarm systems in factories?

A. Yes, sir.

Q. What factories did you have in mind?

A. Well, I have all of my records here and we do approximately the work in 30 percent of all factories.

Q. Now tell us and describe for us the type of alarm systems that you put in factories here in the Chicago area.

A. These are local systems. In other words, the alarm rings only on the premises and they consist of sprinkler alarm devices usually.

In some cases we have supplemented the sprinkler alarm system and have provided a supervised control panel which handles manual-operated break glass stations or automatic fire detectors in areas where the sprinkler system does not extend.

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[fol. 8181] Q. By the way, sir, does the American District [fol. 8182] Telegraph Company install any of these sprinkler supervisory alarm systems, such as your company installs?

A. I frankly do not know if they do of if they don't.

Q. Have they ever bid against you in connection with securing one of these alarms, to your knowledge?

A. There are a few cases where they do bid against us but generally then it is a question of going either into a central station facility or our company proposing to go directly into a fire department.

Q. Would that be in the City of Chicago, sir?

A. No, I am afraid that would not be in the City of Chicago.

Q. Can you think of any one instace where within the City of Chicago you were bidding for a job and ADT was also bidding for that job?

A. I have seen ADT equipment used not only for central station purpose but for providing local alarms in the building and that type of installation was acceptable to the Illinois or Cook County Inspection Bureau.

Q. Well, what kind of alarm was it, sir?

A. These water flow switches are usually made with two sets of contacts. One can be for local alarm purpose and one [fol. 8183] can be hooked into a panel board, and in the case that we just discussed, an ADT water flow switch has two sets of contacts and could provide a local alarm in the building.

Q. Well, sir, I think my question was: Can you think of any one instance where you were attempting to get the bid for the installation of a local water flow sprinkler alarm as you have described them where ADT was bidding against your company in the last 10 years or since you have been with the company?

A. Yes, I can, but not in the City of Chicago.

Q. Not within the city limits?

A. Not within the city limits.

Q. Now you are talking about outside the city limits and what kind of an alarm do they bid against you on outside the city limits of Chicago?

A. Well, the American District Telegraph Company has many receiving boards in smaller cities and we have many receiving boards in smaller cities, too.

Q. And there ADT bids against you sometimes for a protection contract?

A. That is correct.

Q. But in the City of Chicago you can recall no instance [fol. 8184] whereADT bid against you for your local water flow alarm system?

A. Not offhand, no.

Q. Now, sir, you mentioned that you installed your alarm systems in retail establishments. Was that in the City of Chicago?

A. I would say mostly large department stores and that is in the City of Chicago, yes, sir.

Q. Now what kind of alarms do you put in there?

A. Well, generally speaking, it is a very complete sprinkler system. Here in every—almost on every floor we have a separate flow indicator and the switches on each floor are tied into an enunciator panel generally put into the engineer's office, so upon a water flow condition or an alarm from the sprinkler system, the engineer can readily identify the floor of this large department store.

Q. But outside of it possibly being larger, it is the same type that you put on the outside of any size of an installation, is that right; it operates the same way?

A. It operates basically the same way, except that the enunciator is usually used in connection with our switches.

[fol. 8185] Q. Has the American District Telegraph Company ever bid against you for installing that type of a system?

A. No; but the Autocall Company has.

Q. Has the Central Watch Company ever bid against you for installing your local fire alarm in any of these retail stores in the City of Chicago that you have been talking about?

A. Yes, they have.

Q. Have they been often?

A. No.

Q. Do these retail stores that you are talking about, where you have established you enunciator system with your water flow alarm system, do any of those systems also have central station service or fire protection service?

A. They invariably have burglar alarm central station service. The fire protection service I would say is perhaps half and half. Half are connected and half are not.

Q. Now by "fire protection", are you talking about sprin-

kler supervisory and water flow alarm service as well as automatic fire alarm service?

A. Would you repeat that once more?

[fol. 8186] (Whereupon the question was read by the Reporter.)

By the Witness:

A. Yes.

By Mr. Story:

Q. You are familiar with what automatic fire alarm service is?

A. Yes.

Q. Now, sir, these loft building that we discussed a moment ago, you stated that you had installed fire alarm systems in those buildings. What type of a system was installed there?

A. They vary extremely. Sometimes those loft buildings are equipped with a standard fire alarm system with a supervised control panel and our sprinkler water flow switches are connected in the supervised loop so that either a manual alarm may be given or an automatic alarm will be given if the sprinkler system goes into operation.

Q. Now do you have any of those loft buildings protected within the City of Chicago?

A. Yes, we have quite a few.

Q. And as I understand you, there you have your local water flow alarm system, as you have described it here. Do [fols. 8187-8188] you have any other supplemental fire alarm system in those buildings?

A. Yes. I just mentioned that we are likely to have a manual break glass station at the different exits from the floors and a supervised control panel that is taking care of both the water flow switch and the manual fire alarm stations that are on the floors.

Q. Sir, is there a building fire code in the City of Chicago requiring manual fire alarm systems here in Chicago?

A. Yes, sir, there is.

Q. What purpose do those manual fire alarm systems serve?

A. I would say they would serve two: To save life and to create a general alarm on the premises.

Q. Are those systems new in the loft buildings or the retail buildings or the factories or the warehouses, are any of your alarms connected outside of the protected premises?

A. On some of our older jobs, either Central Watch or Kedzie Patrol have made connections to our systems.

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[fol. 8189] Q. Do you have any commercial accounts here in the City of Chicago connected by way of the auxiliary system to the fire department of Chicago?

Mr. Fritz: Other than the rest homes. You are not implying, are you, that the rest homes are not commercial?

By Mr. Story:

Q. All right, leaving rest homes and hospitals out if it, do you have any commercial installations tied into the auxiliary system here in Chicago?

A. By the "auxiliary system", you mean the municipal system owned by the City of Chicago?

Q. That is right, yes, sir.

A. No, we do not.

Q. Have you ever attempted to put a commercial account on a auxiliary system running the signal to the fire department?

A. The City of Chicago does not want them at this time.

Q. Well, do they allow it?

A. Pardon me?

[fol. 8190] Do they allow it for commercial businesses?

A. I think you would have a rather difficult time bringing in a commercial firm into the fire department alarm system.

Q. Well, have you ever attempted to bring one in, sir?

A. No, sir. I would employ Central Watch if I had to or if it was part of my contract I would provide a central station alarm.

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[fol. 8191] Q. Now in connection with these automatic fire detection systems that your company installs, is there a

state law or a city law requiring the installation of that local fire alarm in certain types of installations?

A. Yes, sir. The state and the city code are pretty much the same as regards the type of institutions that must have a local fire alarm system.

[fol. 8192] Q. What type of institutions are those, sir?

A. Those are schools, hospitals, convalescent homes, sometimes libraries, places of public assembly, with the possible exceptions of theaters, which they do not seem to enforce.

Q. Now, sir, this local automatic fire alarm system, your company bids actively for that in the City of Chicago limits, doesn't it, sir?

A. Very keen, sir.

Q. Have you ever known that the American District Telegraph Company was bidding against your company for a local fire alarm system in one of these institutions that you just mentioned?

A. Perhaps once or twice.

Q. What other companies bid against your company for this institutional local automatic fire alarm system?

A. Well, we always have the problem of the electrical contractor who has done the work for the institution and he has access to much the same type of equipment that we have. In fact, we will sometimes lose a job and be able to sell him some of our products.

* * * * * * *

[fol. 8193] Q. Let me ask you this, sir: Do you put in some of these what we call a local automatic fire alarm system in any institutions or schools which are not connected by way of auxiliary to the fire department?

A. Oh, yes.

Q. In fact, you do a lot of that, do you not, sir?

A. I would say 80 percent are not directly connected to any fire station or police station.

Mr. Fritz: In the city?

The Witness: No, not in the city. In the outskirts.

My Mr. Story:

Q. What about in the City of Chicago?

[fol. 8194] A. All of these institutions are required to come into the city fire station receiving board.

Q. Including small rest homes?

A. Yes, sir.

Q. Schools?

A. Yes, sir.

Q. That is all auxiliary, then, by city law?

A. That is correct, sir.

Q. Well, for this type of work, do you know who some of the alarm companies that would be bidding on you ordinarily in connection with these installations are?

A. Well, as I mentioned, any electrical contractor could bid on this work because he has usually done this work in the institution and by no means is the fire alarm work a difficult installation if the man is a qualified electrician.

Q. Well, what about alarm companies, do you know any alarm companies that will usually be bidding against your company for that type of thing?

A. Well, I would say a lot of the smaller electrical contractors here in Chicago attempt to get their share of this business. But outside of Autocall and ourself, they do not exclusively go after this business, which we do.

[fols. 8195-8196] Q. Well, can you think of one instance since you joined this company, which I think was 1957?

A. I think I said '55 or '56.

Q. All right, '55 or '56.

A. Yes.

Q. Can you think of any one instance where you were bidding for one of these systems where the American District Telegraph Company was bidding against your company for a job?

A. As I said, once or twice I can recall this.

Q. Once or twice?

A. Yes.

Q. And that is a period from 1955 or '56 to date?

A. That is correct.

* * * * * * *

[fol. 8197] Q. Now, sir, we have talked about ADT. Can you recall any instance since you have been with Howe

Electric where your company, within the City of Chicago, was bidding against the Kedzie Kane Alarm Company for a protection contract, for a fire alarm contract?

A. Could I have a repeat on that?

(Whereupon the question was read by the Reporter.)

By the Witness:

A. One or two occasions.

By Mr. Story:

Q. And that is since 1955 or '56?

A. Yes. I think I must interpose here that the receiving board of the Kedzie Patrol I do not believe was listed by the Underwriters Laboratory until something like 1958 or '57, some place in there. It is one of the newest stations here.

Q. Now, sir, on how many different installations within the City of Chicago can you recall that the Central Watch Service Company bid against your company in connection with one of your local fire alarm systems?

[fol. 8198] A. How many did you say?

Q. Yes, sir.

A. Oh, I would say 15 or 20.

Q. And that was for the installation of the local water flow alarm gong system that you have described here?

A. Yes, sir.

Q. Any other types of systems?

A. Well, of course, the central station, but there we would not be in a competitive position because we naturally could not bid against Central Watch and come into their station on a competitive bid, you see.

Q. I do not quite understand you. Would you explain that again, sir?

A. I am in a position to bid a job and utilize the facilities of the Central Watch Station. In other words, to bring one of my own systems into the Central Watch.

Q. They have allowed you to do that, connect your alarm system to their central station?

A. That is right; but that part of the contract between the owner and the Central Watch has nothing to do with us. In other words, the Central Watch receives the income from that type of connection.

Q. Your part in the deal was leased or sold outright [fols. 8199-8212] to the subscriber?

A. I sold my installation outright to the owner.

Q. Do you, at the present time, share any of the revenues that Central Watch gets from that account?

A. No.

Q. Now, sir, is there any other central station alarm company here in Chicago that you know of outside of the three?

A. Well, there is a new one that has just opened up, which is the Burns.

Q. The Burns International Detective Agency?

A. I believe that is the same company, yes.

Q. Now, sir, how long have they been on the scene here in Chicago in the alarm business?

A. I would say the board is not quite a year old.

* * * * * * *

[fol. 8213] Redirect examination.

By Mr. Fritz:

Q. Do you find that there are some establishments here in the city which do take proprietary systems and that there are other similar institutions here in the city which, on the other hand, take central station systems?

A. That is correct.

Q. Are these enterprises or institutions similarly located and having similar protection problems?

A. Well, I don't understand quite that last part, "similarly located." Do you mean are they adjoining?

Q. Not adjoining, but are they in generally the same type of a neighborhood where the fire hazards might be alike?

[fol. 8214] A. Gee, I just wouldn't know what to answer to that question. I never thought of it quite that way.

Q. Well, for example, you have told me that Swifts utilizes a proprietary system.

A. Correct.

Q. You mentioned a few others in addition.

A. Yes. Yes.

Q. Do you know of any establishments or institutions in Chicago which have the same general type of protection problems as those various establishments but which do

not use prorietary systems, but, instead, use central station service?

A. Yes. A lot of the other packers use the Central Station Service.

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[fol. 8215] Q. Are there any plants in this city similar to that Ford plant which you mentioned which used a type of service other than a proprietary system?

A. In Chicago?

Q. Yes.

A. Oh, I imagine so. I am not in a position to tell you which ones, but quite a few large plants have proprietary systems here in Chicago.

Q. And quite a few similar large plants have central station service?

A. Yes.

Q. In lieu of a proprietary system?

A. Usually.

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[fol. 8216] Redirect examination.

By Mr. Fritz:

Q. Back to the case where you are out soliciting sales of proprietary systems.

We spoke of the case where a central station system is already installed in the premises. Have you had occasion to go and solicit the sale of a proprietary system to the owner of a newly constructed building or a building under construction who has not yet committed himself or contracted for his protection system?

A. We feel that the architect pretty well has carried out what the owner had in mind and if the new plant is just up, that was taken into account between the owner and the architect before and we do not make any particular effort [fol. 8217] to visit new businesses.

Q. Has it ever come to your attention that an architect has changed the specifications so as to call for one type of system, rather than another?

A. Yes. We go to considerable length to remove this

restriction if we can. I visit the architects. I point out the advantages of the Notifier system or the Couch system, whatever I am handling.

Q. Do you find that sometimes the architect will change his specifications so as to render a proprietary system acceptable, whereas he previously had called for a central station system?

A. Well, I was not talking in that regard. I meant where he has specified a type of local alarm system or it might be a proprietary, but we are successful in most cases of getting him to change his mind on a certain type of system specified for this building.

In other words, we tell him that there are other systems available; we show him our literature; we try to point out the advantages of our system, etcetera.

Q. Have you ever experienced a situation where an architect has called for bids for either proprietary systems or a central station system?

[fol. 8218] A. I have seen it called for in certain bids, yes. Yes.

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[fol. 8219] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W36a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

against

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE,

Taking of deposition upon written interrogatories propounded on behalf of Defendants AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, and cross interrogatories propounded on behalf of the Plaintiff, UNITED STATES OF AMERICA, to INTERNATIONAL BUSINESS MACHINES CORPORATION, by JOHN H. TROUT, by Morris Waldman, a Certified Shorthand Reporter and Notary Public within and for the State of New York, on [fol. 8220] Monday, August 26 1963, at 10:00 a.m., at the offices of IBM, 590 Madison Avenue, New York, New York.

JOHN H. TROUT, having been first duly sworn by the Notary Public, deposed as follows to the written interrogatories as propounded to him by the Notary Public:

Defendants' direct interrogatories:

Interrogatory No. 1: State your full name and address.

Answer: John H. Trout, 990 Dobbs Ferry Road, White Plains, New York.

Interrogatory No. 2: What is the name and address of the company employing you, which will be called "your company" hereafter?

Answer: International Business Machines Corporation, 590 Madison Avenue, New York, New York.

Interrogatory No. 3: How long have you been employed by your company?

Answer: Twenty-four years.

Interrogatory No. 4: What is the title of your present position?

[fol. 8221] Answer: Manager of Safety and Fire Prevention.

Interrogatory No. 5: How long have you held that position?

Answer: One year and nine months.

Interrogatory No. 6: In the course of your duties, have you become familiar with the facts regarding the methods and types of burglar and/or fire alarm protection systems and services employed by your company?

Answer: Yes.

Interrogatory No. 7: Have you visited and inspected each of the installations operated by your company in the United States?

Answer: To the best of my knowledge, there is only one location which I have not personally inspected.

Interrogatory No. 8: Approximately how many installations does your company operate in the United States?

Answer: About fourteen.

Interrogatory No. 9: List the general types of business operations conducted by your company at these installations.

[fol. 8222] Answer: The design and manufacture of electronic and electromechanical equipment and the supplies that are used with them.

Interrogatory No. 10: For each of the general types of business operations that you have just listed, state the types of protection systems or services that your company commonly utilizes to protect that type of operation from the losses of fire, burglary and other hazards.

Answer: No. 1: Internal plant security program, which consists of uniformed guards and, in some cases, supplemented of proprietary intrusion alarm systems and fire detection systems.

No. 2: Intrusion alarm systems and fire protection systems monitored by local fire departments and police departments.

No. 3: Intrusion alarms and fire alarms monitored by local telephone answering service.

The final one is intrusion alarms and fire alarm systems monitored by nationally known companies providing this service.

Interrogatory No. 11: Describe how you determine what type of protection system or service ought to be used at a particular plant or location operated by your company.

[fol. 8223] Answer: The type of service used in an IBM location is determined primarily by the size of the location and the degree of vitalness the material or facility is judged to have in relation to our development programs and our ability to manufacture our products without interruption.

The larger plants and locations have, without exception, used a plant protection system consisting of guards supplemented by some form of electronics signaling devices which are monitored by a memer of the plant security department.

The smaller locations generally have relied upon instrusion alarms and fire alarm systems monitored either by telephone answering services or by a nationally known organization providing this complete service.

In some cases, we have our own plant security program supplemented by intrusion alarms monitored by either a telephone answering service or a nationally known company offering this service.

Interrogatory No. 12: Does your company operate installations in the United States that have similar protection problems and needs?

[fol. 8224] Answer: Yes.

Interrogatory No. 13: Does your company utilize different types of protective systems and services at its installations which conduct similar business operations and which have similar protection problems and needs?

Answer: Yes.

Interrogatory No. 14: If your answer to the preceding question is affirmative, please give examples by way of illustration of your company's locations which conduct similar business operations and have similar protection problems and needs, and which utilize different types of protection systems and services, e.g., central station, direct connections to fire or police departments, telephone answering alarm systems, proprietary systems, etcetera, giving a brief description of the systems used.

Answer: Our Concord, Massachusetts and Campbell, California plants are performing essentially the same operations, the only major difference being that the Campbell location is considerably larger.

At Concord, we utilize a central service station to monitor the intrusion alarms, the industrial process alarms and the fire detection systems.

In our Campbell plant, the same services are monitored [fol. 8225] by the police department, the fire department and a telephone answering service.

The systems used in both the Campbell and Concord plants are considered acceptable.

A third plant in Dayton, New Jersey, at approximately the same time elected to use a plant security program manned by people supplied by a local non-IBM company.

The Dayton plant is doing essentially the same type of work as the first two. However, it is considerably larger than either.

Interrogatory No. 15: List the types of protective systems and services which your company considers in selecting the type of protection that would be utilized at installations operated by your company in the United States.

Answer: We usually consider the types of systems which have already been outlined in my answer to Interrogatory No. 10.

Interrogatory No. 16: Have any of your company's installations in the United States which were formerly protected by central station electric protective service terminated such service and replaced it with some other type of protective service or system?

[fol. 8226] Answer: Yes.

Interrogatory No. 17: If your answer to the preceding question is affirmative, state the locations of such installations, the nature of their operations, and the type of protective service or system which replaced the central station protective system.

Answer: Our San Jose, California plant, which designs and manufactures electronic and electromechanical equipment, was originally protected by a central station protective system. This system has been replaced by a plant protection system consisting of IBM guards, and supplemented by proprietary electronic detection equipment.

Interrogatory No. 18: Does your company consider that

the locations which have substituted another type of service or system for central station protection service are adequately protected by the replacement service or system?

Answer: Yes; for example, our San Jose location.

Interrogatory No. 19: Describe the types of protection systems and services that your company feels are equivalent or superior to central station protection service, and which your company can utilize to protect its installations in the [fol. 8227] United States.

Answer: No one system can be considered superior to all others. The system of protection selected has to be fitted to the needs of the individual plant or location being considered.

Interrogatory No. 20: Does your company consider that its locations conducting similar business operations and having similar protection problems and which are not protected by central station systems are adequately protected by the other protective services or systems which they utilize?

Answer: Yes.

Plaintiff's Cross Interrogatories:

* * * * * * *

[fol. 8228] Cross Interrogatory No. 8: Identify each installation described in Item 2 above, and state the value, in dollars, of the inventory items and/or fixtures located in each such installation.

Answer: I have no idea.

Cross Interrogatory No. 9: Identify each installation described in Item 2 above, and describe the type of fire protection service, if any, employed at each installation, e.g., central station, proprietary, auxiliary, direct connection to fire department, telephone answering service, local fire alarm.

Answer: Washington, D. C.: Subcontract guard service plus central station control.

Greencastle: Plant protection, IBM guards.

Lexington, Kentucky: IBM guards plus a proprietary alarm system.

Concord, Massachusetts: Central station.

Minneapolis: I don't know.

Dayton, New Jersey: IBM guards.
[fol. 8229] Endicott, New York: IBM guards plus proprietary electronic system.
Kingston, New York: IBM guards plus proprietary electronic system.
Owego, New York: IBM guards plus proprietary electronic systems.
Poughkeepsie: IBM guards, subcontract guards, proprietary electronic systems. Electronic systems tied directly to the fire department.
Mohansic Laboratories: IBM guards.
Thomas J. Watson Research Center: IBM guards.
Sherman, Texas: Electronic systems connected to the fire department.
Burlington, Vermont: IBM guards.
Campbell, California: Direct connection to fire department, telephone answering service and IBM guards.
San Jose, California: IBM guards and proprietary detection systems.

Cross Interrogatory No. 10: Identify each installation described in Item 2 above, and state the distance, in miles, between each such installation and an approved central station electric protection service company.
[fol. 8230] Answer: I don't know.

Cross Interrogatory No. 11: Identify each installation described in Item 2 above, and state the amount of fire insurance coverage maintained by your company upon each building and upon the contents of each building in each of such installations.

Answer: I don't know.

Cross Interrogatory No. 12: Identify each installation described in Item 2 above, and describe the type of burglary and holdup alarm service, if any, employed at each installation, e.g., central station, proprietary, direct connection to police department, telephone answering service, local burglar alarm.

Answer: Washington, D. C.: Subcontract guards plus central service.
Greencastle, Indiana: IBM guards.
Lexington, Kentucky: IBM guards.
Concord, Massachusetts: Central station.
Minneapolis, Minnesota: I don't know.

Dayton, New Jersey: IBM guards.
Endicott, New York: IBM guards.
Kingston: IBM guards.
[fol. 8231] Owego: IBM guards.
Poughkeepsie: IBM and subcontract guards.
Mohansic Laboratory: IBM guards.
Thomas J. Watson Research Center: IBM guards.
Sherman, Texas: Police department.
Burlington, Vermont: IBM guards.
Campbell, California: Direct connection to police department and telephone answering service.
San Jose, California: IBM guards.

Cross Interrogatory No. 13: Identify each installation described in Item 2 above, and state the amount of burglary insurance coverage maintained by your company upon each such installation.

Answer: I don't know.

Cross Interrogatory No. 14: State whether or not your company has been requested by an insurance carrier to utilize approved central station burglar alarm protection service in any of your company's installations from April 13, 1951 to date.

(a) If so, identify each such installation.

[fols. 8232-8233] Answer: No.

Cross Interrogatory No. 15: State whether or not your company has been requested by an insurance carrier to utilize central station fire alarm protection service in any of your company's installations from April 13, 1951 to date.

(a) If so, identify each such installation.

Answer: No.

Cross Interrogatory No. 16: Identify by street address, city and state, each of your company's installations which are protected, wholly or in part, by central station fire alarm service, and state the name and address of the approved central station electric protection company providing such protection.

Answer: The following locations use some form of central station protection: Washington, D.C. and Concord, Massachusetts.

* * * * * * *

[fol. 8234] Cross Interrogatory No. 22: For each installation described in Items 18 and 19 above, state the annual cost to your company to maintain watchmen or guard protection at each installation.

Answer: I do not know.

Cross Interrogatory No. 23: For each installation identified in response to Items 18 and 19 above, describe the method of watchmen or guard supervision utilized by your company, if any; e.g., Detex clocks, central station watchmen supervisory service, etcetera.

Answer: For security reasons, I am not able to divulge this type of information.

Cross Interrogatory No. 24: For each installation identified in response to Items 18 and 19 above, indicate those installations wherein watchmen or guards are unsupervised.

[fol. 8235] Answer: For security reasons, I am not able to divulge this type of information.

* * * * * * *

Cross Interrogatory No. 28: Identify by street address, city and state, each of your company's installations which are protected against burglary wholly by a burglar alarm system connected to a telephone answering service.

Answer: None.

Cross Interrogatory No. 29: Has your company [fol. 8236] been granted insurance premium discounts upon the installation of an approved fire or burglar alarm system?

Answer: I don't know.

* * * * * * *

Cross Interrogatory No. 31: If it was your testimony on direct examination that any of your installations which were formerly protected by central station protective service terminated such service and replaced it with some other type of protective service or system, state the street address, city and state, in which each such installation is located.

Answer: San Jose plant, Monterey and Cottle Roads, California.

* * * * * * *

[fol. 8237] Cross Interrogatory No. 33: Identify each installation described in Item 31 above, and describe in detail the type of central station protection service formerly provided each installation.

Answer: I don't know.

Cross Interrogatory No. 34: Identify each installation described in Item 31 above, and state the installation charge or advance service charge paid by your company for the installation of the central station alarm system.

Answer: I don't know.

Cross Interrogatory No. 35: Identify each installation described in Item 31 above, and state the monthly or annual service charge set forth in the original central station service contract.

Answer: I don't know.

Cross Interrogatory No. 36: Identify each installation described in Item 31 above, and state for each such installation whether or not the company rendering central station protection service had sought and/or obtained an increase [fol. 8238] in monthly or annual service charges at any time from April 13, 1951 to the date of termination of the central protection service.

(a) If so, state the amount of each such increase for each installation.

Answer: I don't know.

Cross Interrogatory No. 37: Identify each installation described in Item 31 above, and state whether or not the business operations conducted at each installation subsequent to the termination of central station protection service were substantially identical to the business operations conducted prior to the termination of central station protection service.

Answer: Yes.

Cross Interrogatory No. 38: Identify each installation described in Item 31 above, and state whether or not the value and type of inventory located at each installation was substantially identical to the value and type of inventory prior to the termination of central station protection service.

Answer: The value has increased since termination of central service.

Cross Interrogatory No. 39: Identify each installation

described in Item 31 above, and state in detail the type of [fol. 8239] protection system which replaced each central station protection system at each such installation.

Answer: The central station protective system was replaced by IBM guards and a proprietary detection system.

* * * * * * *

Cross Interrogatory No. 42: Since April 13, 1951, have any of your company's installation in the United States which were formerly protected by any other type of protective service terminated such service and replaced it with central station protection service?

(a) If so, identify each such installation and state the date of the change.

[fols. 8240-8243] Answer: To the best of my knowledge, no.

Cross Interrogatory No. 43: Since April 13, 1951, have any of your company's installations in the United States which were formerly protected by watchmen terminated watchmen service and replaced it with central station protection service?

(a) If so, identify each such installation and state the date of the change.

Answer: To the best of my knowledge, no.

* * * * * * *

[fol. 8244] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W37a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND, PROVIDENCE DIVISION

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Oral Deposition of GORDON DILLARD.

* * * * * * *

[fol. 8245] On the 2nd day of February, 1962, at the offices of Messrs. Baker, Botts, Shepherd & Coats, in the Esperson Building, Houston, Harris County, Texas, GORDON DILLARD appeared before me, J. L. McAtee, a notary public of Harris County, Texas, and, being by me first duly sworn, testified by his oral deposition as hereinafter set out, pursant to notice, a copy of which is attached heret.

Direct examination:

By Mr. Williams:

Q. Could we have your full name and address, please?
A. Gordon Dillard, 2047 University Boulevard.
Q. Houston?
A. Houston.
Q. Mr. Dillard, are you connected with any company in the City of Houston that furnishes electric protective services?
A. I am.
Q. And what is it, please, sir?
A. Magnetic Alarm Inc.

Q. Has that firm been a corporation for some time?

A. It has been a corporation for about four months. Back in October.

Q. Prior to that time what was it?

A. Magnetic Alarm Company.

[fol. 8246] Was it a partnership then?

A. A partnership.

Q. Who were the partners in the company?

A. My brother, Curtis, and myself.

Q. How long did that partnership exist, sir?

A. Well, it has been existing about twenty years, I imagine. Not this one, but one similar to it.

Q. Doing the same type of business?

A. Doing the same type of business. Twenty or twenty-two years.

Q. All of that time in the City of Houston?

A. No, we have been in the City of Houston since 1950.

Q. Since 1950?

A. Yes.

Q. Prior to 1950 where was the business conducted?

A. Newark, New Jersey.

Q. What was the name under which it was conducted in Newark, New Jersey?

A. Magnetic Alarm Company.

Q. How long was it located in Newark, just approximately?

A. Well, I have been with it since 1939, so I don't know. I mean I would have to get some records on it. My brothers have been in the business all of their lives.

Q. When the firm was located in Newark, New Jersey, did [fol. 8247] it furnish the same type of service it does here?

A. It did.

Q. And what type of service is that?

A. Burglar, fire and holdup alarm systems.

Q. Coming down to the present time, what type of burglar alarm system services does the firm furnish at this time?

A. Well, we furnish all types.

Q. Are they primarily local burglar alarms?

A. They are local burglar alarms, but we do have a central station.

Q. Where is the central station located?

A. 2402 Bagby.

Q. How long has that central station been in existence, sir?

A. Five or six years.

Q. Could you tell us briefly how it operates?

A. Yes, sir. In other words, we install and maintain open and close burglary alarm circuits, that is two different circuits complete, connected together with relays, on a subscriber's premises. In the case of a burglary, it throws up a signal at our office, where the dispatcher on duty notifies the police and sends one of our men to investigate.

Q. Is the connection between the subscriber's premises [fol. 8248] and your central station made by leased telephone lines?

A. Yes, sir.

Q. And those are obtained from the local telephone company?

A. That is correct.

Q. That is your burglary system?

A. That is the burglary system. Then we have—that is one particular burglary service. We have burglary alarms that are local, that are bell systems, and we also have vehicle alarms on trucks, trailers, and automobiles.

Q. In connection with your Central Office burglary alarm service, do you also furnish holdup alarm service?

A. We do.

Q. How does that operate?

A. It operates from switches or traps, or in the case of a bank, just a button that is in the teller's cage, or wherever the customer happens to think it is necessary. Some have foot rails where you can actuate an alarm without the holdup man knowing it.

Q. Is your central station manned twenty-four hours a day?

A. It is.

Q. Does it have a direct line to the Houston Police Department?

[fol. 8249] A. It does not. We dial.

Q. Do you have a direct line to the Houston Fire Department?

A. We do not.

Q. Do you dial that also, if necessary?

A. We dial that.

Q. Does your firm furnish central station fire alarm protection?

A. We may have some in. I don't know that we do. We will. It is available.

Q. And what type of systems would you use in furnishing central fire alarm services?

A. We use thermostats, Firestats, small diaphragms located in different portions of the building that either a change or a rise in the fixed temperature, or both, will actuate, that is connected into a system with wires and batteries to give a signal either on the premises, or we can rig it into our office.

Q. Does your firm furnish any type of electrical protective service known as direct connected or remote station service?

A. We do.

Q. Do you furnish that in the City of Houston?

[fol. 8250] A. Yes, we do, in some portions of it.

Q. Would you describe for us how that type of system operates?

A. Well, that type of system operates the premises alarm, it operates just like a bell system, or a regular direct line to our office, or central station system, or in the remote control portions of it we might send it into a customer's home, if he so desires. In other words, if he is too far out for the telephone line, or that the telephone line would cost us too much, or he would think that the telephone line service was too much, then instead of ringing us, it rings directly into his home.

Q. Do you have any systems connected in that manner instead of to the home directly to the "Dallas" Police or Fire Department?

A. No. Dallas?

Q. I mean Houston.

A. No. I understand there is none there at all. If there is any, I would like to know about it. I would be glad for them to be our dispatcher. We have them in South Houston, in the Police Department in South Houston, in the Police Department in Deer Park, in the Police Department [fol. 8251] in Port Arthur, and in the Police Department in Freeport, and maybe some other small towns, but I just know these offhand because I have had dealings with them.

Q. Mr. Dillard, could you, or do you have with you today any figures that would show the number of subscribers you have of various classes?

A. Yes, I know.

Q. Various classes of protection services that you render?

A. That's right.

Q. Can you tell us how many, for example, local burglar alarms subscribers your firm has?

A. We have approximately one thousand one hundred and eight.

A. One thousand one hundred and eight?

A. Yes, sir, that is right.

Q. And how many central office burglar alarms do you have, or subscribers of central office burglar alarms?

A. Direct into our office, about—let's see. We have, direct into the office, about forty.

Q. And how many central station fire alarms do you have, or do you think you have?

A. Central station alarms, I don't know whether we have got one or not, fire alarms, I mean. We do have—we sell [fol. 8252] it, and we have it in the fire, where we offer it when we are bidding on them. In other words, if they come in and want it, we will take them.

Q. Do you have any other class of service that I have not listed to this point?

A. Well, we have—what do you mean, class of service?

Q. That is local burglar alarm, central station burglar alarm—do you count your holdup alarms separately?

A. We don't count them separately at all, only for your information. If someone had asked me, without knowing you wanted this information, I wouldn't be able to give it to them. I don't separate them.

Q. Do you know how many you have approximately?

A. What?

Q. Central station holdup alarms?

A. Central station holdup alarms, it wouldn't be more than three or four.

Q. Now, as far as direct connected alarms, where the subscriber's premises are connected directly to the police department or fire department, could you estimate how many such subscribers you have?

A. Approximately ten, I imagine; ten or twelve. It wouldn't be over that.

Q. Uh-huh. Do you have comparable figures on these [fol. 8253] subscribers for the years prior to 1961, or 1962, rather?

A. You mean in the proportion to that?

Q. Yes.

A. I would have a flat figure, a guess of how many, but the numbers never did interest me. In other words, it is how much you make at the end of the year that interests me. The numbers don't count, just knowing how many you have.

Q. Well, could we have your best estimate as to what it was?

A. What is that?

Q. Say from '56 through '60.

A. '56?

Q. Each of those years.

A. Oh, I guess in '56—it would be a guess, just guessing, because as I say I don't keep it in my mind—I would say in '56, say we had four hundred—about four hundred, and then just add—just spread it out on up to '61.

Q. Right, so there was a steady increase?

A. There was a steady increase.

Q. From '56 on?

A. They don't vary much from year to year.

Q. But you have had an increase of approximately seven [fol. 8254] hundred subscribers from '56 to now?

A. Yes.

Q. You have about eleven hundred now?

A. Yes.

Q. And you had about four hundred then?

A. That's right.

Q. For those same years, Mr. Dillard, could you give us rough figures of what your gross revenues were from these subscribers?

A. The gross revenues?

Q. Yes.

A. (Witness referring to documents appearing to be financial statements.)

In '56, it was thirty-nine thousand two hundred and fifty-eight; in '57 it was fifty-one thousand three hundred and forty-eight; in '58, it was fifty-eight thousand two hundred

nineteen; in '59, it was seventy-two thousand nine hundred and seventy-eight and in '60, it was eighty-five thousand nine hundred and seventy dollars.

Q. And for '61, if you have it.

A. I don't have it.

Q. Would you estimate that it is above eighty-five thousand dollars?

A. No, sir.

[fol. 8255] Q. Or below?

A. Well, I'll tell you. I don't know why I don't have '61. I thought I had it. I can get it if it is pertinent, but we put on a lot of extra men this year, and everything, and I imagine we lost money. I mean we expected it, but we——

Q. How many employees does your firm have now?

A. Twenty-five.

Q. And what types of work do they do? What are their different jobs?

A. Well, we have dispatchers; we have dispatchers that work on revolving shifts, around the clock, Sundays, holidays, Christmas. It don't make any difference. Then we have installation men, and we have maintenance men, and the maintenance men are on revolving shifts around the clock too. They change with the dispatchers. Then we have salesmen, and we have our office help.

Q. Are these dispatchers and maintenance men, are they the men who are present in your Central Office twenty-four hours a day?

A. That is right.

Q. And is it the maintenance men who respond, along with the police department, if a signal is received?

A. Well, we have a combination. The men are main-[fol. 8256] tenance men, and they are guards too. They are armed.

Q. But it is their duty to both maintain the systems and to respond to an alarm when it is received?

A. That is right.

Q. Does your firm furnish any service known as sprinkler supervisory or water flow alarm service?

A. We do not, but we would.

Q. If called upon to do so?

A. If called upon to do so, that is right. Usually on your sprinkler supervisory and everything, maybe we are

just not smart enough yet, but usually the contract is let for the supervision of your sprinklers when they put in the sprinkler system.

Q. That is on new construction?

A. That is right.

Q. Does your firm use a standard form of contract, that is for its burglary alarm subscribers?

A. We do.

Q. Do you have a copy of the burglar alarm subscriber contract with you, sir?

A. Yes. (Witness producing and delivering to counsel certain instruments.)

Q. Thank you. Are these two forms—off the record just a moment.

(Discussion off the record.)

[fol. 8257] By Mr. Williams:

Q. All right. Back on the record. May we have marked as Defendants' Exhibit A for identification the paper entitled "Magnetic Alarm Inc., 2402 Bagby Street, Houston 6, Texas?"

(Thereupon the instrument above described was marked for identification by the Reporter-Notary as Defendants' Exhibit A hereto, and same is attached hereto and made a part hereof.)

Mr. Williams: And may we have marked as Defendants' Exhibit B for identification a paper entitled "Magnetic Alarm Company," with the same address?

(Thereupon the instrument above described was marked for identification by the Reporter-Notary as Defendants' Exhibit B hereto, and same is attached hereto and made a part hereof.)

By Mr. Williams:

Q. Including the minor changes that you mentioned off the record, sir, how long have these general forms of contract been in use by your company?

A. Generally speaking, I imagine fifteen years, or sixteen. There might have been a change back in there, but I don't know about it.

Q. Is this current form of contract used for both local and central station——

[fol. 8258] A. It is.

Q. —protection?

A. It is.

Q. Does your firm retain ownership of the devices that are installed on your subscribers' premises?

A. We do.

Q. And have you done that from the beginning, so far as you know?

A. We have.

Q. How long does your contract usually run, how long is your standard form of contract for, generally?

A. Generally it runs from a year to five years. In other words, in accordance with the size of the building and how much is involved in installing it.

Q. Does it also depend on how long the tenant's lease is for on the building? Is that a factor also?

A. It would be a factor, yes.

Q. What would you say was the length of the period of most of the contracts you have in force now?

A. Most of them run from year to year. In other words, they renew themselves automatically.

Q. Would it be true that the larger installations would have a longer initial time on them?

A. That is what it is for, yes. In other words, they might run two years, or three years. Usually they don't run above [fol. 8259] three years, unless it is an unusual job.

Q. When you install equipment on a subscriber's premises, do you charge an installation fee for it?

A. We do.

Q. And could you tell us generally what are the factors that go to make up that installation fee?

A. Well, it depends upon first, the number of windows and doors you protect; the second would be on the condition of those windows and doors; the type of business involved—I mean whether there are just general housekeeping features about it, that is if they keep a clean, neat place you can expect not to have much trouble, and if it isn't you add according to the job.

Q. And do you also take into account the actual labor you would have to expend to install the devices?

A. That's right.

Q. And is there an overhead factor that is added to all of this?

A. An overhead factor added to all of this?

Q. Yes.

A. There usually is not. There should be, but there is not.

Q. And could you tell us when your firm receives pay-
[fol. 8260] ment for the installation?

A. We receive payment on it usually within three months after it is installed. In other words, lots of times people pay immediately upon installation, but usually one, two or three months is the maximum.

Q. In addition to the installation charges, your firm makes, I assume, a monthly or annual service charge?

A. We do.

Q. On what is that charge based?

A. It is based upon the same thing that your original prices were based on, that is generally the type of business, the amount of trouble you expect to have from it, and the extent of the wiring, the number of windows and doors protected, and skylights, and so forth.

Q. Does it also take into account your knowledge of what the line charges would be from your Central Station?

A. It does.

Q. To the subscriber's premises?

A. That is right.

Q. And is that included in your monthly service charge?

A. That is included in the monthly service charge.

Q. What happens, sir, when a subscriber decides to end his relationship with your company? Do you remove the
[fol. 8261] installed equipment from his premises?

A. We remove that portion of it that is of any benefit to us. It is normal in an installation of this type that there are some portions that are useless. Lots of times it is useless. If it is all foil work, it is useless, but the connections, the electric switches, the controls, we remove those, and if we have any screens we remove those also.

Q. If you have to put in any items such as floor traps?

A. Floor traps, electric eyes and units like that, we remove them.

Q. Are you able to use that equipment again on other jobs?

A. Some of it you are and some of it you are not. In other words, the main thing is to remove it so that it won't —in other words if we leave our equipment there, then some customers will try to repair it themselves, and then it gives the company a bad name, so lots of times we just remove it from the premises, and it costs us money to get it out, even though a big portion of it is scrapped.

Q. I see. From whom do you purchase your alarm equipment generally, sir?

A. Well, we purchase it from several different sources. In other words, we purchase switches from Micro Switch [fol. 8262] Company; we purchase some from GE, and we purchased portions of our equipment from Alarm Device Manufacturing Company in Brooklyn.

Q. Do you purchase any equipment from Potter in Saint Louis?

A. From Potter, we might have in the past. I don't know of any, but I mean if he had a switch or device we wanted, we would get it from him.

Q. Do you purchase any devices from Walter Kidde in New Jersey?

A. Yes.

Q. That is K-I-D-D-E. What type of equipment do you purchase from Kidde?

A. Ultrasonic equipment.

Q. Do you purchase any equipment from Mosler Research Products? They are in Connecticut.

A. I don't know. I know the name, I have heard of it, but I don't know whether we purchase any of his equipment or not.

Q. Do you purchase any devices from Morse Signal Devices of California?

A. We do not.

Q. From whom did you purchase the equipment necessary to set up the Central Station panel?

A. We manufactured it ourselves.

[fols. 8263-8264] Q. Was it manufactured from standard electronic components, or did you design any of the devices yourselves?

A. No, it was manufactured from standard components that you get on the market.

* * * * * * *

[fol. 8265] Q. Is all of the equipment you are using now approved by Underwriters Laboratories?

[fol. 8266] A. It is not.

Q. Is your firm approved by Underwriters Laboratories to make certificated installations?

A. We are.

Q. Is that both your local and central station equipment?

A. Local only.

Q. How long have you been certificated to make local installations?

A. As far as Houston is concerned, ever since we have been here.

Q. That would be since approximately 1950?

A. That's right.

Q. Have you sought Underwriters approval for your central office operation?

A. We have not.

* * * * * * *

[fol. 8267] Q. Is there sufficient types of equipment available on the market today that would enable you to meet all of the requirements for Underwriters central station approval?

A. I don't think they are sufficient today, no. I don't know of but two places you can get it.

Q. Who are they?

A. I believe the Owl of New York and Potter. There might be others, but I don't know of them, and if there are others I would say that they are so small it would be insignificant, because we have never heard of them and I have been in the business all of my life.

Q. Are you a member of the National Burglar and Fire Alarm Association?

A. I am.

[fol. 8268] Q. When you install a certified local system do you furnish the subscriber with an Underwriter's certificate?

A. I do.

Q. Do you know whether your local burglar alarm subscribers receive insurance premium discounts?

A. They do.

Q. Do you know what that discount is, approximately?

A. From twenty to thiry-five per cent.

Q. Do you know whether any of your central station subscribers receive insurance premium discounts because of your service?

A. For the Central Office connections, they do not, but we have several of them that receive a reduction on the system as it is in their building, and we supervise it. In other words, we have them coming directly into the office, and they are receiving their reductions for the alarm system as it is on the premises and not on the Central Office connection.

* * * * * * *

[fol. 8269] Q. Does your firm render its service within the city limits of Houston, that is your local burglar alarm and central station service?

A. We render it within the City of Houston, yes, and we render it outside of the City of Houston also.

[fol. 8270] Q. That is in Harris County area?

A. Harris County, Jefferson County, Galveston County.

* * * * * * *

[fol. 8271] Q. Does your firm, when it receives a call from a prospective customer, go out to the premises and make a survey of what would be needed to electrically protect it?

A. That's right.

Q. What are the factors you look for? Are they similar to what you mentioned that would go into your installation fee?

A. Surely.

Q. The number of openings?

A. The number of openings, the type of business, the condition of the building.

Q. The type of construction of the building?

A. That's right.

Q. And based on that and your knowledge of the business [fol. 8272] you can arrive at, number 1, and installation fee, and, number 2, your monthly service charge?

A. That's right.

Q. Does your firm have a standard schedule of prices for burglar alarm installations?

A. Well, we have—I don't know it as such, as a standard price. We have a minimum and a base to go from, but as a standard price—I mean that would be difficult to say. You still would go back to the same thing. In other words, if I was wiring your office here, you would take into consideration where you are going to put the wire, and the difficulty in running it and everything, so it is difficult to have a standard, but we got a base that you might go from. You don't go lower than that.

Q. What would, for example, be your monthly base on a central office burglar alarm service? Would you have a minimum monthly rate for service?

A. I don't know what you mean by minimum. Your central station fee depends upon how far it is from the place of business, and in relation also to the size of the building, and whatnot.

Q. But leaving the wire charges aside, would you have a base figure below which you would not go?

A. Yes, we would have a base figure below which we [fols. 8273-8274] would not go for a central station installation.

Q. Just approximately what would that be?

A. Well, if it was across the street from us we would not put it in for less than sixteen dollars a month.

Q. You consider that to be your minimum?

A. Well, a minimum, say it is one door down across the street, say——

Q. But it might be a warehouse across the street with two movable openings?

A. Then your other base would go in from there, I mean you would start accordingly.

Q. Well, do you have, or do you figure in the base the number of movable openings?

A. Movable wouldn't make much difference, movable or fixed. It would depend on the size and the condition of the building and the type of business, whether they are neat housekeepers or whether they threw things up against the wall, or whatnot.

Q. Does it sort of boil down to the idea of each job is

pretty much a custom tailored one, dependent on its own individual circumstances?

A. Well, it has to be on its own individual circumstances. I mean you might—I mean you have got these things to go by. I just don't know.

* * * * * * *

[fol. 8275-8276] Q. Did you tell us earlier that you started your Central Office operation about six years ago?

A. That's right, five or six years ago.

Q. Do you have an idea now of approximately what it cost you just to set up your Central Office facilities?

A. About ten tousand dollars.

* * * * * * *

[fol. 8277] Q. In furnishing central station protection service in Houston, do you meet the other firms in competition, who are furnishing the same type of service, sir?

A. We do.

Q. What firms are those?

A. ADT and McCane-Sondock.

Q. Do you bid on the same jobs that ADT and McCane-Sondock have bid on, in instances?

A. We have.

Q. And have you gotten some of those jobs?

A. We have gotten some of them.

Q. What proportion do you think you got as compared to the other two companies?

A. Well, that is hard to say. I don't know how you mean, what proportion. I don't know. I just know the jobs we get, and when the saleman comes in and tells me he is bidding on it. I mean what proportion of them they don't get, they don't come in and tell me the ones they are losing, I guess, lots of times.

Q. Do you have competition from any other firms in the Houston area that furnish electric protective service?

A. There are other firms, yes.

[fol. 8278] Q. Can you recall the names of any of them?

A. Well, we have Riverside Detective Agency, and Alarm Signal Company of Texas, and several individuals.

Q. And these are the ones, the ones you have mentioned——

A. Well, they don't install central station equipment—well, Alarm Signal Company of Texas does too.

Q. Does he operate in the City of Houston?

A. He operates in the City of Houston, yes. He has his office in Pasadena.

Q. Is Pasadena a suburb of Houston, or is it a separate city?

A. Well, it is within the city limits, but I think we kind of go around it.

Q. Uh-huh. Aside from ADT, McCane-Sondock and Alarm Signal Company of Texas, do you know of any other firms in the Houston area that furnish central office protection——

A. No.

Q. —besides yourself?

A. No.

Q. Do you know how long Alarm Signal Company of Texas has furnished central station protection?

A. I imagine about three or four years.

Q. At the time when your company started its central station operation, approximately how many central station [fol. 8279] subscribers did you have?

A. When we started we didn't have any.

Q. Do you know whether there are any firms in Houston that furnishes the type of service in which an alarm device on the premises is connected to a telephone answering service?

A. I don't know of one, no. You may say that Alarm Signal Company, they might be involved there. I never have been able to understand it. I have seen his place and everything, and they have a telephone answering service in the same building, but his equipment and service seems paramount. I don't know. I have seen the building, and have talked to them and everything else, but I still don't know whether he depends on the telephone answering service to answer or whether—I can't find out whether they are employed by him or somebody else, so I don't know, but that is the only one I would know of.

* * * * * * *

[fols. 8280-8283] Q. Well, a proprietary signaling system is a situation in which the premises are wired and protected,

but the signals instead of coming to your central office come to a central guard post on the protected premises.

A. Well, this one at Cameron Iron Works worked that way. In other words, it didn't come to us. It went to the guardhouse. If somebody opened the place, their guards went down there immediately.

Q. That is what I meant by a proprietary system.

A. Yes.

Q. On the Cameron Iron Works job, did you also have a connection to your central office?

A. No.

* * * * * * *

[fol. 8284] Q. Do you know, or have you lost any central station customers of yours to ADT or McCane-Sondock?

A. I don't know. I don't think I have, not central station. I don't believe I have.

Q. Have you lost any of your local burglar alarm subscribers to either of those companies?

A. We have.

Q. And do you know whether those subscribers have taken local or central station service from the other companies?

A. Well, some of them have taken central station from ADT. That is the reason we started our central station. We were losing some of our better accounts to ADT. There are two that I happen to know of on one street that I was dealing with that we lost, and there are others too.

Q. Do you, based on your experience, think that your central operation can grow in Houston?

A. Yes, it will grow.

Q. There is a potential here?

A. There is potential here.

* * * * * * *

[fols. 8285-8286] Cross-examination.

By Mr. Story:

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[fol. 8287] Q. Mr. Dillard, would you tell us why your company entered the central station protection business?

A. Well, as I said before, talking to Mr. Williams, we

started losing some of our better accounts, and substantial accounts, because we couldn't put in this central station. In other words, they were coming in, and the customer would talk to somebody else, and you run the risk of—well, in other words, you have an area, and you lose this customer because you can't install central station service, and then before long you lose several other customers around there because this man has had to take yours out and reinstall somebody for a central station service, so therefore you lose it on your bell systems too, because the man won't take it. He will say, "Later on you can get the central station if you want it; all you have to do is pay your line charges," but if you take a company that don't install a central station, then he runs a risk of having to pay a double installation if he does take it later, and you not only lose one, but you lose [fol. 8288] several. We have one particular place where we had to put in a central station because we didn't want them dealing with some other company. We have approximately ninety stores from one company.

Q. What company was that?

A. That was the U-Tote'm Incorporated.

Q. What type of business is that?

A. It is a drive-in grocery chain.

Q. And your company has, you said, approximately ninety stores of theirs?

A. Yes, eighty-seven, about eighty-seven or ninety; I forget which.

Q. And did that company want to change its alarms to central station?

A. No, but they might. In other words, they put in a new warehouse, and we had to wire that central station; otherwise we would allow our competition to come in there and put in central station, and therefore they are dealing with another company, and they could at any time decide they want to go to central station.

Now, we have had one particular company that we have about forty-two location wired for, and the man is dickering back and forth now for central station for all forty-two [fols. 8289-8291] locations. If we told him we couldn't provide it—I have given him prices on them and all—if we told him we couldn't do it, he would automatically start talking with someone else, but as long as we tell him we will, and we

can, and you just show him how we can tie them in, and what we will do, then we have still got them. As I say, I would rather have them as they are, but I would change them to central station rath than lose the whole group of locations.

* * * * * * *

[fol. 8292] Q. Mr. Dillard, I think you just stated a moment ago that you would rather keep your subscribers as they are, meaning local alarms. What did you mean by that, sir?

A. Well, if we didn't run into competition and their taking better accounts away from us, and whatnot, competition of that kind from the central station companies, we would much rather stay as a local bell company. In other words, I have no desire to be a central station company as such. In other words, I want to keep what I have got, and I don't want it to penalize me, because I don't have it, but if you can't—in other words, as long as you don't have the things the customer wants—he may not want it, but the minute he finds out you can't give it, especially if you have competition coming in and telling them you don't have it, then they ring you back and say, "That is an inferior product," and they don't want to start dealing with you. They don't know what they are doing of course, and in reality you are meeting all of the specifications that your competition could at that. We have it now—we are bidding on a job that they are not asking for—it is a job [fol. 8293] that runs to better than a thousand dollars, about fifteen hundred dollars——

Q. What runs that much?

A. The installation of it, and they are not requiring a certificate on it, but it has been brought up in the board meetings of this company already that our central office board is not certified. That is a typical example of it. They are not going to get certified service, but by the fact that our board is not certified, then it is inferred—you see people that don't know anything about burglar alarms, they are inferring to them that it is inferior.

Q. Mr. Dillard, has your company filed an application with the Underwriters Laboratories to get your central station approved?

A. We have not.

Q. Why haven't you, sir?

A. Well, to have it certified would cost quite a bit of money, and also if we certify it we have to—in other words, we can certify the board we have got, but if you certify that then you have got to keep your equipment as it is. You can't change equipment, or go to a different type unless you call them in and have them certify the other. We don't want to be tied down to the present system. We [fol. 8294] have got a system that will meet their specifications, but we don't want to be tied down with it from now on, and then we would have to continue to manufacture our own equipment, and we just don't use enough of it to warrant it.

Q. Let me ask you this, sir: Have you checked into the requirements or specifications of Underwriters Laboratories to the extent where you would know whether or not you could operate an approved central station with your present central station force?

A. Yes, sir, I have.

Q. Could you operate an accredited or approved central station with the same employees to operate your central station that you have now?

A. Well, with the same group. I would have to rearrange them, but with the same men I have now I could do it, yes.

Q. Would you have to divert more of your employees from other types of service to the central station service in the event you were approved?

A. The only diversion I would have to make is to put on another man, one other man, just change his shift around so he would be available. It is not on the workmanship, or what you do, or anything else, but the central station requirement is that we would have to have that man avail- [fol. 8295] able at all times, so therefore if the man might be, in other words if they were off on something else, I would have to bring another man in to have him available.

Q. Mr. Dillard, I think you said that your central station was installed about five years ago?

A. That is correct.

Q. That would be in or about 1957 or '58?

A. That is right.

Q. Now, since your central station operation has com-

menced operating, could you tell us approximately how many of your local alarms which you have have changed to central station alarms?

A. About twelve, sir.

Q. Now, since you have had your central station operation have any of your central station customers discontinued central station service and reverted back to a local alarm service with your company or any other company?

A. We have had three or four do that, revert the other way around, but usually when they revert back—two of those that reverted back went out of business. In other words it was a business cycle, and it was just money to them, because they were going out of business.

[fols. 8296-8299] Q. Now, Mr. Dillard, prior to the time you opened your central station did you lose any prospective customers, that is prospective local alarm customers or accounts, because the customer desired central station service?

A. We did. We lost quite a few.

Q. Since you have been operating your central service station, have you lost any prospective central station subscribers because your company is not certificated or not approved?

A. Yes, sir.

* * * * * * *

[fols. 8300-8302] Q. Uh-huh. Had you lost any local alarm subscribers before you entered the central station business?

A. We did.

Q. To central station companies?

A. We did. We lost some, just similar to these I mentioned, to ADT, where they come through the roof. It was a burglary all right, but they would come in and sell the man on the central station, when the central station itself don't necessarily protect the man or give him any more protection than he had before, but by the fact that we couldn't give them central station they did take ADT.

* * * * * * *

[fol. 8303] Q. I think you testified that to your notice you didn't have any fire alarm systems?

A. Central fire alarm, that is correct.

Q. Have you solicited any central fire alarm installations here in Houston?

A. We solicit them, yes.

Q. Have you been doing that since your central station has been in operation?

A. Yes, sir.

Q. Does the fact that your central station is not approved by the Texas Rating Bureau, or the other fire rating bureaus, have anything to do with your not getting central station fire alarms?

A. It does. We are dealing with one now where I don't know whether we will get the job or not. I doubt it, because he called in his insurance agent and wanted to know whether we were approved or not. I mean the fact is after I leave here today I am supposed to go to talk to this man, to see [fols. 8304-8306] him and talk to him.

* * * * * * *

[fol. 8307] Q. Mr. Dillard, does ADT engage in the local [fols. 8308-8311] burglar alarm service busines here in Houston?

A. They do to some degree. They have increased their activity within the last two years, but for them it is a very limited activity, I think, in the local field, that is for ADT.

Q. Prior to two years ago were you active in soliciting local alarm business?

A. Yes.

Q. And during that period of time you say you don't encounter ADT in this business?

A. Not to any degree. They did do it, but it wasn't enough to worry about. In other words, I might come in competition with them once a month, or something like that.

Q. What is the situation the last two years?

A. Well, you run into them all of the time. In other words they solicit bell systems, the central station systems and everything, with a degree that they haven't before.

* * * * * * *

[fols. 8312-8313] By Mr. Story:

Q. Mr. Dillard, is your central station operation profitable at the present time?

A. No.

Q. Has it been profitable since it has been established?

A. No, sir.

Q. Are you losing money on your central station operation?

A. We have lost money on it ever since it was started.

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[fol. 8314] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W38A

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

* * * * * * *

[fol. 8315] Deposition of Witness, taken on behalf of the Defendants, American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, in the above-entitled cause, wherein UNITED STATES OF AMERICA is Plaintiff and GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, are Defendants, pending in the United States District Court for the District of Rhode Island, pursuant to notice, before Otto W. Boyle, a Notary

Public within and for the City of St. Louis, State of Missouri, at the law offices of Messrs. Bryan, Cave, McPheeters & McRoberts, Sixteenth Floor, Boatmen's Bank Building, 314 North Broadway, in the City of St. Louis, State of Missouri, on the 24th day of January, A. D. 1962.

* * * * * * *

[fol. 8316] CLARENCE IRVIN BAKER

a witness of lawful age, being first duly sworn to tell the truth, the whole truth and nothing but the truth, deposes and says on behalf of the defendants, American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, as follows:

Direct examination

By Mr. Conkling:

Q. Will you state your name and residence address?

A. Clarence Irvin Baker, 4834 Germania Avenue, St. Louis.

Q. Are you engaged in the furnishing of any form of electric protective service?

A. Yes, we are.

Q. Under what firm name or style of business do you operate?

A. Under the Merchants Alarm Service.

Q. And what is the business address of that firm?

A. 7724 Gravois.

* * * * * * *

By Mr. Conkling:

[fol. 8317] Q. Now, Mr. Baker, for how long have you been engaged in your business at the address that you have mentioned?

A. Well, we just moved to this address we are at in December.

Q. In December of 1961?

A. 1961.

Q. And what had been your business address prior to that move?

A. 4600 Loughborough.
Q. And for how long had you been at that address? Is that also in the City of St. Louis?
A. Yes.
Q. For how long had you been at that address?
A. We were there about eight years.
Q. This takes you back to about 1952 or '53?
A. '53 or '54, I don't remember just which.
Q. And had you been engaged in the business prior to that time?
A. Oh, yes.
Q. At what address, please?
A. Well, we were at 4713 Goethe, for I guess three
[fol. 8318-8319] years.
Q. Which takes you back to about 1951 or thereabouts?
A. About '50, I guess.
Q. And prior to that year, had you been engaged in the same business?
A. Yes, we were located on Manchester Avenue for, I don't even remember the number any more.
Q. Well, that is not important. Approximately how long?
A. We were there for, I would say possibly three years.
Q. Which goes back to about 1947?
A. That is right. And previous to that, of course, I run from my home, didn't have an office.

* * * * * * *

[fol. 8320] Q. Now, will you tell me, Mr. Baker, please, the nature of the work that your company does?
A. Well, we install burglar alarm systems in stores and offices and factories and various mercantile establishments.
Q. And are those burglar alarm systems of one type or more than one type?
A. Well, most of them are local systems, local alarm systems.
[fol. 8321] Q. Does that include a holdup alarm?
A. No, no holdup alarm.
Q. And would you describe for me what you mean when you say local burglar alarm system?
A. It is a type where a gong sounds on the premises.
Q. They are actuating devices on the subscriber's premises?
A. That is right.

Q. Which register a loud gong on the premises?

A. That is right.

Q. Now, are there any other forms of protective service that your company provides?

A. Well, we have a few burglar alarms that go into police stations, in East St. Louis, we have, I believe, four that go into the police station over there, and we have, I believe, one in Webster Groves that goes into the police station.

Q. Now, is that what you call or what is generally known in the industry as a direct-connected service?

A. Well, of course, that direct gets kicked around, we usually call them central stations if they go into the alarm company's office, if they go to the police station, it is usually called a police alarm.

Q. And is it true that this police alarm, as you call it, is the registration of a signal at the police station by reason of the actuation of the device upon the subscriber's [fol. 8322] premises?

A. That is true.

Q. And in the case of what you refer to as central station alarm system, the signal is recorded in what you call a central station by the actuation of the device at the subscriber's premises?

A. That is right.

Q. Does your company provide central station service?

A. No, we have no central stations. We had at one time but we got rid of them, it was very unprofitable for us.

Q. About what period of time do you have in mind when you say you did have central stations?

A. We had central stations, I think from about '55 to '57.

Mr. Story: Excuse me, could I interrupt? When were you in the central station business?

A. From '55 to '57, I believe.

By Mr. Conkling:

Q. Can you tell me, sir, approximately how many subscribers you had for the central station service while you were rendering such service?

A. Say, around twenty-five or thirty.

Q. Were these all of the burglar type?

A. Yes, all burglars.

Q. There were no fire alarm subscribers?

A. No, we specialize in burglar alarms, only, nothing else.

[fol. 8323] Q. And what is the area, generally, of your firm's operation?

A. Well, we cover the City and County and we have——

Q. City and County of St. Louis?

A. That is right, and we have alarms in St. Charles, Alton, East St. Louis, it is usually within an area of forty miles of the City.

Q. Your operations are generally within about a forty-mile radius of St. Louis?

A. That is right.

Q. Now, when you say you have since the beginning specialized in burglar alarm protection service, I get the impression that there are, nevertheless, other types of service that you still perform. Would you tell me about that?

A. No, there is none other than burglar alarm installations and service, we have no other service.

Q. Do you have any watchmen's tour supervisory service?

A. No.

Q. Do you know whether connections are made or permitted in the City or County of St. Louis to the Fire Department?

A. Well, they are not in the City, I don't know about the County. We have burglar alarms, as I say, in Webster Groves, and I understand some of the other companies have them in police stations, but none in the City.

Q. How about Fire Departments?

[fol. 8324] A. Fire Departments, yes, in the County.

Q. In the County but not in the City. And in these outlying municipalities that you mentioned?

A. That is right, yes, sir.

Q. Now, sir, in the conduct of your business do you use any form of written contract?

A. Yes, we do.

Q. With your subscribers?

A. Yes, sir.

Q. And did you bring with you today sample copies of such forms that you use?

A. This is our present contract we are using on local alarms. This is a type we used when we had burglar alarms, this is void now because we have no central stations.

Mr. Conkling: Mr. Baker produces two forms of contracts, the first one of which is what you currently use in connection with your local service, it that right?

A. That is right.

Mr. Conkling: Which I will ask the reporter to mark for identification as Defendants' Exhibit "A".

(Said document marked for identification by the reported as Defendants' Exhibit "A".)

Mr. Conkling: And the witness has produced a second sample form of contract which I understand——

A. Central station, which we have no more.

Mr. Conkling: What is not being used any more, as he [fol. 8325] has described this, and I will ask it be marked Exhibit "B" for identification.

(Said document marked for identification by the reporter as Defendants' Exhibit "B".)

Q. Incidentally, Mr. Baker, when did you first know that your testimony would be taken here today by the defendants?

A. When I received a subpoena from the United States Marshall.

Q. Is this paper which I show you a copy of the subpoena that was served on you?

A. That is right.

Mr. Conkling: I will ask the reporter to mark as Defendants' Exhibit "C", for identification, this copy of a subpoena, including a duces tecum, dated December 12, 1961.

(Said document marked for identification by the reporter Defendants' Exhibit "C".)

Q. This subpoena, Defendants' Exhibit "C", for identification, Mr. Baker, refers in item one of the rider to sample copies of contracts used by Merchants Alarm Service for each type of protective service furnished by it during the period 1955 to date, and I assume it is pursuant to that requirement that these forms which have just been marked Exhibits "A' and "B", for identification, have been produced, is that right?

[fol. 8326] A. That is right.

Q. Now, Mr. Baker, I observe that this form of contract, Defendants' Exhibit "A", which is the form you are currently using and which I assume you have been using at least back as far as 1955——

A. That is right.

Q. Provides among other things that ownership of the installation of the equipment you install remains with your company?

A. That is right.

Q. Has that always been a provision in your form of contract?

A. Yes, sir.

Q. Based upon your experience in this industry, as you have described heretofore, do you know whether such a provision is a usual provision?

A. Yes, it is.

Q. In the industry?

A. Yes, sir.

Q. Do you recollect during your time of service with the Potter Company whether their forms of contract contained a similar provision?

A. Yes, sir.

Q. Do you know, Mr. Baker, whether there is any requirement on the part of any Board of Underwriters or similar organizations that equipment on a subscriber's premises be owned by the service company?

[fol. 8327] A. Yes, sir, there is.

Q. Do you know the source of that requirement?

A. Well, it has to be maintained by a burglar alarm company in order to carry a certificate.

Q. And does your company carry a certificate?

A. No, we don't.

Q. Has your company ever had a certificate?

A. No, sir.

Q. Have you attempted to obtain one?

A. No, sir.

Q. Based upon your experience, is it desirable for a company furnishing the type of service that you serve to the community have such a certificate?

A. No, it isn't.

Q. Now, sir, again referring to Defendants' Exhibit "A", I notice that there is provision and your form includes the

blank space for insertion of whatever the contract term is to be after you have negotiated your arrangement with your subscriber?

A. That is right.

Q. Will you tell me what the usual contract term is?

A. Well, our minimum is a year.

Q. And your maximum is what?

A. Five years.

Q. And do you provide service by contract in such a form as Defendants' Exhibit "A" for any period not less [fol. 8328] than one nor more than five years?

A. Yes, we do over five if they want it.

Q. And these contracts are self-renewable, are they?

A. That is right.

Q. So that if you initiate an arrangement with a subscriber for a one-year period, the term of service continues on from year to year until——

A. Well, from month to month, not from year to year.

Q. You say from month to month because of the thirty-day provision for notice and cancellation?

A. That is right. In other words, the main reason for our contract is to protect our equipment that we own. As long as the man continues to have it, we very seldom even renew a contract, as long as we have the original to protect our equipment.

Q. Now, I think you mentioned, in answering one of my earlier questions, that in 1937 when you began in your home, you started with one customer?

A. I started with none.

Q. And then you were lucky and you got one, is that right, you got the first one?

A. I don't call it lucky, I call it pretty hard work.

Q. And do you remember who that first customer was?

A. Yes, it was Hub Tobacco Company in Alton, Illinois; I still have them.

[fol. 8329] Well, I suppose it is not unusual, is it, that once you obtain a subscriber, as a general rule, you manage to hang onto it?

A. Yes.

Mr. Story: I object to the form of the question.

Q. Is it a fact, Mr. Baker, that you lose very few accounts, once you obtain the initial contract?

A. Well, that is true.

Q. Now, I understand, and you correct me if I am wrong, but I understand your testimony to be, on the contract duration that even though you initially start with a subscriber for a one-year period and the year runs out and there is no cancelation notice given by either party, that you don't go back and ask for the signing of another contract form, such as Exhibit "A"?

A. That is true.

Q. You continue on?

A. That is true.

Q. Now, sir, can you tell me approximately what your total gross revenue was for the calendar year 1961?

A. No, I couldn't, because I have an outside bookkeeper that takes care of the books and I wouldn't know what that was until he comes along with my income tax.

Q. Can you tell me what your gross revenue was, approximately, for the year 1960?

A. Well, I couldn't be accurate.

[fol. 8330] Q. Could you give me your best recollection?

A. I would say around thirty-eight thousand dollars.

Q. And for the year 1959?

A. Approximately the same.

Q. 1958?

A. That was approximately the same, too.

Q. 1957?

A. '57, it was a little higher, I will say a couple of thousand higher because we had the central stations during that year.

Q. You think maybe about $40,000.00?

A. Possibly.

Q. 1956?

A. I would say around the same. And, of course, from there on, we went downhill.

Q. 1955, you mean was ——

A. Well, we were still a growing account, you know.

Q. Well, though you don't know yet know what the numbers are for the last calendar year, can you tell me whether, based upon your general knowledge of your numbers of subscribers and the business, generally, your business has remained during '61 about the same, or better?

A. I think it remained about the same, because we lost a few accounts by tearing down the City.

Q. By that you mean, there is a lot of new construction going on around here, a lot of urban renewals?

A. A lot of places being torn down and we lost accounts, [fol. 8331] and most of them not able to go into one of these shopping centers with a ninety-nine-year lease, they are not the type of business, they can't afford it, so they are out.

Q. I am not sure that I quite understood that, Mr. Baker. Are you saying ——

A. Well, take, for instance, Mill Creek Valley, we lost a hundred and fifty jobs there, most of them were small cleaners, places of that type, they don't have the money to go out to a shopping center to go back in business again so they are just out, they go get a job working for somebody. So, you got to drum up new accounts to replace those.

Q. When did the Mill Creek Valley start?

A. Oh, over the last four or five years, I guess. That is why our income remained practically stable there, we take out a job and put one in, we never gained any, we just stayed even.

Q. Otherwise, you would have expected some normal rate of growth and increase?

A. I would expect a couple of thousand a year.

Q. Based upon your past experience?

A. That is right.

Q. Mr. Baker, will you tell me approximately the number of subscribers that you have for your burglar alarm services as of now?

A. Well, it would be between four hundred and fifty [fol. 8332] and five hundred.

Q. And as you said, you started back in 1937 with zero?

A. That is right.

Q. Has there been some observable general rate of increase in the numbers of subscribers over the years?

A. Oh, yes.

Q. What is that rate of growth as you believe it to be?

A. Well, it is pretty hard to tell, but I mean, the more you are in the business, the more people get to know you and the more you just naturally get. We never had a salesman since we have been in the business.

Q. Are you the salesman for your business?

A. Well, I was when we first started, then I come to the

point where I didn't need a salesman, the reputation and the friends that we made was our salesmen.

Q. Good-will, self-generating, people call you?

A. That is right.

Q. And, of course, if you hear about the availability of a prospect, will you make an effort for it?

A. No.

Q. No?

A. No.

Q. Now, do I understand correctly, sir, that none of your service and none of your equipment is approved by any underwriting or rating bureau?

A. Well, the equipment we buy, most of it has [fol. 8333] underwriters' approval, but I mean, we put in no underwriters' approved alarms with certificates.

Q. Is all of the equipment that you use underwriter approved?

A. Well, most of it. Some of it isn't, but most of it is.

Q. Are there readily accessible sources of supply for the equipment you need?

A. Yes.

Q. What are those sources?

A. Well, Alarm Device Manufacturing Company out of Brooklyn.

Q. And the others?

A. A. W. Frew Company in Chicago and, well, even Potter Electric here in St. Louis, they supply equipment, and Nicolay out of Los Angeles.

Q. What is the difference, if any, Mr. Baker, in the type of service or the character of the service you provide to your subscribers and the type of service which you would provide if you were approved or certificated?

A. Well, there is really no difference, other than the fact that you don't cut the underwriters in on the inspections and things of that kind. The fact is, any company that has underwriters' certificates, only has about two per cent of them has certificates, the rest of them don't have.

Q. The service, it is your opinion, based upon your experience as outlined above, is essentially the same?

A. That is right. That is, for any reliable company. [fol. 8334] Anybody understands burglar alarms is going

to put in a good system because they have got a reputation to maintain, too.

Q. Do you know whether subscribers to your service receive any insurance discounts?

A. Yes, they do.

Q. Do you have any knowledge concerning the rates of such discounts?

A. Well, I have run into it several times. where different mutual companies have given our customers fifteen and twenty per cent reduction, and then they will take a burglar alarm in a district where they couldn't get insurance at all without the burglar alarm. They will take it without a discount in bad neighborhoods.

Q. In this way, they are able to get insurance coverage?

A. That is right, yes, they are able to get insurance if they have the burglar alarms, otherwise, they wouldn't have been able to get it.

Q. While they may not get a discount, they get the insurance?

A. They do get the insurance.

Q. So that you, then, issue no certificates to any of your subscribers?

A. That is right.

Q. Now, during the several years that you did provide a form of central station service, was that also strictly burglar?

A. That is right.

[fol. 8335] Q. And during that time, were any of those installations approved or certified?

A. No, they weren't.

Q. You say that you decided a couple of years ago to get out of that or, at least, to stop furnishing that type of service?

A. That is right.

Q. Because you found it unprofitable?

A. That is right.

Q. Can you explain that for me?

A. Well, it was mainly unprofitable because the telephone company charged us too much for lines and the overhead was greater because you had to have more help and we had to neglect local customers for central station customers,

that we actually didn't make any more out of, after the line charge was taken out.

Q. Were the rates of charges for the use of telephone lines different for central station service than for the local service?

A. Well, of course, you don't have lines on local, it is a local bell ringing on the premises. When you connect from your office to your subscriber, you have to have a telephone line.

Q. How about in connection with the direct-connected services that you perform?

[fol. 8336] A. You have to have a telephone line there, too, but you are usually close enough they are not too expensive.

Q. What is the rate of charge, do you know?

A. Well——

Q. Or what was it at the time you were concerned with it?

A. Well, I believe it was a dollar and a half for the first quarter-mile and fifty cents for each additional quarter of a mile.

Q. Getting back for a moment to the sources of supply that you named earlier, is there any piece of equipment, any component part that you have needed over the years, which you have been unable to obtain?

A. No.

Q. Do you have any personal knowledge, Mr. Baker, of the type of equipment that the ADT Company uses?

A. Well yes, some.

Q. Do you have any knowledge as to whether the equipment and component parts that are obtainable from the other sources of supply, you have named four of them, are substantially the equivalent of the ADT equipment?

A. Well, for our equipment, it is.

Q. Now, at the outset of this deposition, Mr. Baker, you mentioned the present address of your place of business. Is that the sole address from which you operate?

[fol. 8337] A. That is right.

Q. You do have several employees?

A. Yes, I have.

Q. How many do you have?

A. Four.

Q. And have you had four over the last five years?

A. Yes.

Q. Did you have any more while you did provide the central station service?

A. Yes. Well, I had two more when I was providing the central station service, then, back in 1950, I had about eight employees.

Q. What was the approximate number of central station subscribers you said you had during the period?

A. Between twenty-five and thirty.

Q. And where are they now?

A. Well, I sold them out to Potter Electric.

Q. All of them?

A. All of them.

Q. Do you know whether those thirty-five or forty of your former central station subscribers are still subscribers to central station service?

A. Yes, they are.

Q. You didn't sell any of them out to the ADT Company?

A. No.

Q. Would you tell me briefly, Mr. Baker, what, generally, each of your four employees does for you?

[fol. 8338] A. Well, the three men, of course, do installations and service work and install and service burglar alarm systems, and the girl gets the telephone and does the office work.

Q. Do you render any of your service outside the State of Missouri?

A. Yes; in Illinois.

Q. So that the forty-mile radius which you mentioned earlier extends in all directions from the City of St. Louis?

A. That is right, Alton and Belleville.

Q. Alton and Belleville are in Illinois?

A. That is right.

Q. Will you describe for me, Mr. Baker, the type of equipment that you use in order to do the work that you are doing?

A. Well, it is all standard equipment that is used by ninety-nine per cent of all the companies, metallic tape for windows and telephone wire and relays and various contacts that go on doors and windows.

Q. And gums?

A. That is right.

Q. Do you manufacture, yourself, any equipment that you use?

A. No.

Q. Or do you assemble any parts for use in your business?

A. Well, we assemble the package. In other words, we install the bell in the bell housing that it goes in and install the relay in the control box and make units out of various pieces that we buy.

[fol. 8339] Q. Of the equipment which you need and use in rendering the service that you do furnish, is the equipment the same as equipment that you use when you furnish central station service?

A. No.

Q. Some of it is the same?

A. Some of it is the same. The circuits are generally more or less the same, the contacts and things of that kind, but your controls are always different and your wiring on a circuit is different because you have to get a ground to give you a short in your office, where on a local alarm, you don't have to have a short.

Q. When you were furnishing central station service, did you have any difficulty of any kind obtaining the equipment you needed?

A. No.

Q. And the sources of supply were generally the same as you mentioned earlier?

A. That is right. The only possible stuff that you would have trouble getting for a central station would be the office equipment, itself, such as ticker tape registers and central station burglar alarm control boards, those are the things that are hard to get hold of. At the time, we made our own for that.

Q. And have you been procuring what equipment and devices you need from the sources you have mentioned, [fol. 8340] going right back to the beginning?

A. Yes, that is right.

Q. And I assume, while you named four companies, Demco, Frew, Potter and Nicolay, that there are still others?

A. Oh, yes, there are others.

Q. That are sources of supply?

A. That is right.

Q. Now, getting back for a moment to the provision in

your form of your current form of contract, Defendants' Exhibit "A", which provides for retention of title to the equipment, do you, Mr. Baker, upon the termination of a contract, remove from the subscriber's premises the equipment which you had installed?

A. Yes, sir.

Q. You have always done that?

A. Yes, sir.

Q. Do you furnish any service, Mr. Baker, to any governmental agency?

A. Well, we have, I believe, a place that has a Government contract or subcontract, Emerson Electric in Washington Park, Illinois.

Q. Are there any others that you think about?

A. No, that is the only one we have.

Q. Is the form of installation there the same as with any other subscribers?

A. Yes, sir.

Q. And is that service pursuant to a written contract, [fol. 8341] also?

A. No, that is written on their contractors' form which, of course, they hold title to the system.

Q. For how long, approximately, have you had that account?

A. I think we put it in about '57.

Q. Do you have any knowledge, Mr. Baker, based upon the seven or eight years that you spent with the Potter Company, as to whether their form of contract provides for retention of title by Potter?

A. Yes, it does.

Q. Do you have any knowledge as to whether the Potter Company, at least while you were with them, upon the termination of a subscriber's contract, removed their equipment?

A. Yes, they did.

Q. Based upon your experience, as you have described it here today, can you say whether that practice of removing equipment from a subscriber's premises generally prevails throughout the industry?

A. Yes, it does.

Q. Both in connection with central station service and local alarm systems and direct-connected systems?

A. Yes, sir, that is right.

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[fol. 8342] Q. Would you state for me, Mr. Baker, the steps that you take, I suppose it has become something of a habit by this time, but when someone calls you and is interested in obtaining or hearing about your service and possibly subscribing or when you go solicit accounts, what do you generally do?

A. Well, of course, I go over and see the man and look the premises over and see how many openings he has to be protected and arrive at a price.

Q. And are there other factors than the number of openings to be protected which you consider?

A. Well, that is mainly the thing. We used to put the distance in it, but you can't put that, more or less, so we try to go by the amount of openings that the building has, and, of course, their service is going to be based on the size of the job, how much installation is going to run.

Q. And I suppose if you received a telephone call this [fol. 8343] morning from someone with a jewelry shop on Olive Street wanting a quote from you for protection, you would not quote over the phone but would go first and look and survey, is that right?

A. Yes.

Q. And see what is needed to be done?

A. That is right.

Q. Is that true even though you may have presently a subscriber for another jewelry shop which you know is across the street?

A. That would apply to anybody.

Q. Is each job sort of tailor-made, you have got to go look at each job?

A. That is right, each job has to be built differently, there is no two alike.

Q. Now, sir, I notice that your current form of contract, Defendants' Exhibit "A", for identification, provides for a charge for installation?

A. That is right.

Q. That is to be paid the company?

A. That is right.

Q. Is there always an installation charge?

A. Yes, sir.

Q. And can you tell me generally how you arrive at or how you compute such a charge?

[fol. 8344] A. Well, we compute it by the number of openings to be protected, and my minimum, of course, is a hundred dollars, five dollars a month.

Q. And do you always, generally speaking, obtain your minimum?

A. Oh, yes, we never go under the minimum.

Q. And there is provision, also, for a service charge?

A. That is right, our minimum of that is five dollars, too, and that also goes up, depending upon the amount of openings or amount of service that we have to have.

Q. So that in making your computations of charges, you have in mind the cost of your equipment and the probable time you need to inspect and maintain and so forth, as necessary?

A. That is right.

Q. And you also have some profit element in mind?

A. That is right.

Q. Has that profit element, and I don't want to know any detail about it, has it been generally to your satisfaction?

A. Well, no. Mainly to our fault, though, for not raising, but we have not raised customers, we try to depend on keeping volume and keeping our expenses down, if we can, rather than raise rates.

Q. And getting new business, by volume, you mean rate of growth?

[fol. 8345] A. That is right, by keeping our rate of growth.

Q. And that rate of growth, as I understand your testimony, Mr. Baker, has been generally satisfactory but for a few roadblocks thrown by what is happening in the City of St. Louis by renewal of the City or rebuilding the City, is that true?

A. That is true.

Q. Now, Mr. Baker, will you tell me, I don't care to know the dollars involved, but I would like to know if you will tell me the rate of profit that you estimate that you are receiving in your business?

A. I would say possibly twenty per cent.

Q. Now, I notice, sir, again referring to your current form of contract, Exhibit "A", for identification, that the installation charge is to be paid to you after the installation has been completed.

A. That is true.

Q. Is that the way it always works?

A. Yes, sir.

Q. Do you ever have customers or subscribers who will ask whether they may pay on time?

A. Very few, and if they do, we give them no more than three payments.

Q. If they do ask or ask loud enough, I suppose, you try to accommodate them?

[fol. 8346] A. That is right, we try to accommodate them on the three payments.

Q. Over what period?

A. Over a ninety-day period.

Q. And is that your maximum limit, or do you sometimes go beyond that?

A. No, that is the maximum.

Q. Do I understand correctly, Mr. Baker, that your installation charge covers the cost of the equipment you have installed, plus the labor costs?

A. That is right.

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[fol. 8347] Q. How many different persons, firms or corporations, to your knowledge, Mr. Baker, provide electric protective services here in St. Louis?

A. Well, let's see, there is about six.

Q. Would you name them for me?

A. Well, there is, of course, ADT, Potter, and, of course, us, an outfit that calls theirselves the Central District Alarm, and Central Southern Alarm in University City, and there is another fellow that does some free-lancing [fol. 8348] around town, I am trying to think of his name, I can't think of it offhand, but he has also sold a few out around town.

Q. Do you know how long ADT has been here in St. Louis?

A. They have been here as long as I know, ever since

the days of '25, when I heard of a burglar alarm, they were here.

Q. Do you know how long Potter has been here?

A. Well, Potter has been in the sprinkler alarm business ever since 18 something, but went into the burglar alarm about 1927 or '28.

Q. Do ADT and Potter furnish the kind of service that you furnish?

A. Well, ADT doesn't do much local business any more, neither does Potter, most of theirs is central station. Years ago, they used to put in locals.

Q. How about Central District Alarm?

A. They only have locals and leased station-type.

Q. The direct-connected, so called?

A. That is right.

Q. How long have they been here?

A. I would say about five years.

Q. And Central Southern Alarm in University City?

A. They have been in it for, I would say about thirty-five years.

Q. And this other fellow whose name you can't recollect? [fols. 8349-8351] A. Well, he is in and out of it for the last five years, he is in and out, nothing steady about him. He doesn't lease them, he sells them outright and when the traffic gets too rough, he gets out for a while and gets back in.

Q. As of now, he is back in, I understand?

A. Well, as of now, I haven't heard of him, but they have come and gone, different companies sprung up for a couple of years, then they get out of it, then spring up again. When they have to get out of bed at three o'clock in the morning, they want to get out of it, it ain't so easy.

Q. Well now, at any rate, Central District Alarm has entered the field in the last five years?

A. That is right.

* * * * * * *

[fol. 8352] Q. Now, sir, the several, three I think you said, employees who do your installation and repair work, servicing work, maintenance work, have these people been with you for a while?

A. Well, two of them are my sons, they growed up in

the business, ever since they was little kids they have been helping me, and one of the other ones, of course, has been with me, I guess now, possibly, six months, I had another man was with me for twelve years and he left me then, he got called out in the National Guard in this emergency.

Q. If you think you needed new personnel or additional personnel, are they available?

A. No.

Q. They are not?

A. There is no burglar alarm men.

Q. You taught your sons, I dare say?

A. That is right, you have to teach anybody.

Q. And is the type of person whom you would use, ordinarily, whom you teach and then who works for you in performing local burglar alarm work, generally the same type of person as would do the same kind of work in central station service work?

A. Well, yes, if they knew local, they would know central station, more or less, it would be very easy to catch [fol. 8353] onto it from there.

Q. I suppose because of the size of your operation that you don't maintain any research or engineering staff?

A. No. I am the engineer, not through a school, but through thirty-six years, what I don't know, I got a little library there I can look it up.

Q. And you keep trying to improve, I suppose, on what you are doing?

A. Oh, yes, we stay modern.

Q. And if in your attempt and your apparent success in staying modern you think about or find you need or want new or different types of equipment, you are able to obtain what you need?

A. Well, we find the supply companies are away ahead of us, their engineers have brought out things, just about the time we think we need them for new doors and new different types of construction that goes on today, of course, they have thought of that and have come up with the answers for you.

Q. Do you use something called magnetic door switches?

A. Yes, we use the Demco's.

Q. How long have magnetic door switches been in general use?

A. Oh, not more than eight years.

Q. And you use the Demco Company's, although other companies, and I assume those you mentioned, provide them, too?

[fol. 8354] A. Yes.

Q. Has there ever been any difficulty that you are aware of in obtaining magnetic door switches when you wanted them?

A. No.

Q. What happened about eight years ago when they became used?

A. Well, of course, when the construction men started putting up these solid glass doors and things like that, of course, it started in the east, we didn't get it out here for several years after they had it in the East and when we started getting it out here, Eastern manufacturers like Demco had already solved the problem and they had it.

Q. Now, Mr. Baker, when I asked you a few moments ago about the persons, firms or corporations who furnish electric protective service here in St. Louis and you named ADT, Potter, Central District Alarm, Central Southern Alarm and another whose name you couldn't recall; do you regard all of these six persons or corporations as competitive with you?

A. Yes.

Q. And by that I suppose you mean that in connection with your effort to continue and expand your business, sometimes you obtain a new account that others have sought to obtain and sometimes you don't obtain a new account that some one of the others has obtained, is that so?

A. That is true. It is only true to an extent of [fol. 8355] telephone book shoppers.

Mr. Story: What was that, sir?

A. I say it is only true through telephone book shoppers, somebody go to the telephone book and look up all companies and call all to get bids, but most of the accounts that we get, as I say, don't come from that source, it comes from our customers or different insurance men recommend us, or even police recommend us.

Q. Have you lost any existing subscribers, that is, one with whom or to whom you had begun to furnish service,

did you later lose that subscriber to any of your competitors?

A. Yes, we have lost maybe two or three over the years to competitors.

Q. I am sorry.

A. I say to competitors.

Q. Do you know whether over that same period of time you have gained new accounts who had formerly been with someone else?

A. Well, we may have, yes.

Q. Mr. Baker, are you aware here in St. Louis of any local alarm service which is connected to or monitored by a central station?

A. Yes.

Q. Do you have some of that kind of accounts?

A. Yes, we do.

Q. And with whom do you connect?

[fol. 8356] A. With Potter Electric.

Q. With Potter, only?

A. That is right. That is mainly through friendship that I am able to do that, because I worked for Potter back in them days and I know everybody up there, and the only reason that they would hook onto our system is because they know that we have good systems and we back them up, we do all the servicing on them, of course.

Q. And the compensation to Potter for that arrangement?

A. It is strictly theirs, we have nothing to do with that, they make their own contract for the central station end of it, for the connection to their office, and we maintain our local and do the repairing. They mainly act as dispatching station, that is all.

Q. Approximately how many such accounts are there now?

A. I believe there is fifteen.

Q. And when was the first one made?

A. After we sold our central station.

Q. In about '55?

A. In about '57.

Q. And the growth from one to fifteen has been steady over the last four years?

A. That is right.

* * * * * * *

[fol. 8357] Q. Would you tell me briefly how that monitored service works, Mr. Baker?

A. Well, what it amounts to, on a conventional local alarm, of course, the gong rings on the premises, if they do want a central station connection, Potter will install their loop box, but after the burglar alarm trips and rings the bell for thirty seconds, it trips a signal into Potter's office over their wires, you know, over the telephone company's wires, and, of course, they dispatch the police, then notify us that they sent the police in to our subscriber and we take it from there.

[fol. 8358] Q. Do you know whether any such subscriber of the fifteen that you have in mind obtains any insurance discount?

A. No, I don't, I wouldn't know that.

Q. Do you know whether the Potter service generally is approved or certificated?

A. Oh, yes. I made the first run that got their A Certificate for them.

Q. When was that?

A. Back in 1929.

Q. From which insurance organization was that?

A. Well, it was the Underwriters Laboratory inspector that made the test. Of course, they have to make a test before you can get a certified system, they, of course, go up to the Police Department and tell them they are going to trip a certain alarm at a certain time and not to send on it, they trip it and stand there with a stop watch to see how long it takes the alarm company.

Q. Do you remember how long it took at that time?

A. Yes, it was a minute and a half.

Q. And the distance was what?

A. It was from Ninth and Olive to Twelfth and Washington.

Q. Which, in miles, is what?

A. I will say seven blocks or eight blocks.

Q. About a third of a mile, maybe?

A. That is right.

[fol. 8359] Q. That was Underwriters Laboratories, Inc., of Chicago?

A. Well, it wasn't in them days, it was Underwriters

Laboratories, it wasn't Underwriters, Inc., in them days, it was run by the Boston Insurance Underwriters.

Q. Now is it——

A. Now it is not run by the Boston Underwriters no more, it is incorporated for a testing agency.

Q. And operates out of Chicago?

A. That is right, Chicago and New York.

Q. Now, this type of service, Mr. Baker, the local service connected into a central station or monitored by a central station, how long, here in St. Louis, has that type of service been available?

A. We were the first, that was in '57. It has been available in the East for years, but all the alarm companies fought against it here, most central station alarm companies don't want a local bell on the premises, it checks up on the alarm company, in other words, if they fail to send out on it, the bell tells on them.

Q. Does the central station alarm company sometimes fail to send out?

A. Yes. Many times I have been in a central station alarm company when a big thunderstorm come up and thirty or forty burglar alarms dropped at one time; how can you send out on them?

[fol. 8360] Q. They didn't?

A. They didn't.

Q. Do you have some specific instance in mind?

A. Many times. It is not unusual for any alarm company, when you get a thunderstorm, the lightning starts kicking the systems off and you can't send down on that many, you can't give that many to the police, some of them will close theirself up after the bolt of lightning, but it is long enough for a person to go through the door. You just wait and pray for the next morning. Where, with a local alarm, once it is tripped, it remains to be seen, you have got to take care of it, it has to be turned off.

Q. And they do run for a while, don't they?

A Local burglar alarm, we had one to ring for twelve hours out in Maplewood. The police run us crazy because they couldn't get hold of the owner.

Q. So that based on your experience over the last thirty years, which includes experience in central station service,

it is fairly common, the kind of thing you have just described is fairly common?

A. That is right.

Q. The central station service is not fool-proof?

A. Oh, no. If I put a burglar alarm in my place I would want a local. Central station connection auxiliary to it would be all right, but I would still want the bell.

Q. Do you believe, based upon your experience and your [fol. 8361] experience and your knowledge and conversations with your subscribers and others that this is a generally-held viewpoint?

A. Oh, yes. The record of burglar alarms is about ninety-six per cent perfect on burglary.

Q. Have you any knowledge as to the record of central stations?

A. It would be much lower than that.

Q. Is there some central source of information on that kind of thing?

A. Well, it is just through most of the companies' experience in the business.

Q. Mr. Baker, do you know what is meant by a protective system that we have been referring to as the proprietary service?

A. Well, I don't know it as of that term, no.

Q. Well, what I have in mind is an installation in a subscriber's premises where, upon the tripping of the actuating device, a signal is recorded at a guard panel, a kind of central station within the subscriber's premises.

A. Yes, I know of that type.

Q. Where the subscriber's own personnel do what is necessary.

A. Yes, I know of that type.

Q. Is that type of service provided here in the City of St. Louis?

A. Yes, it is.

Q. Do you know who provides it?

[fols. 8362-8363] A. Well, I know Potter does.

Q. And it is a generally-recognized form of protective service?

A. Oh, yes. That is nothing new here, I know Potter provided it away back in 1929, Mallinckrodt Chemical Company had panels in their office where they had watchmen on duty.

Q. Do you provide any service to subscribers who also have a proprietary system?

A. The only one we have would be that Emerson Electric, which rings, of course, in their guard house.

* * * * * * *

[fols. 8364-8365] Q. Do you have any subscribers, Mr. Baker, who formerly had been central station subscribers?

A. Not that I know of. We may have, I wouldn't know that.

* * * * * * *

[fol. 8366] Q. Do your subscribers, Mr. Baker, fall into any kind of particular categories, like jewelry shops or fur shops?

A. No, we have everything, there is no particular category.

Q. Of the central station accounts that you had, the thirty-seven or forty that you sold to Potter, were they generally mixed, too?

A. Yes.

Q. Various kinds of business?

A. Yes.

Q. Retail shops and so forth?

A. Well, we had two big tire companies and cleaners and Missouri Jewelite Sign Company, and it run right along [fol. 8367] them lines, a little of everything.

Q. Do you also have tire companies or cleaners of the same category as mentioned to whom you provide local service?

A. Yes, we do have. They tell me there is three putty companies in the United States, and we had one of them.

Q. Which one is that?

A. Biddle Putty Company down here on Main Street for years and moved out to Maplewood, they didn't need no alarm out there, but we had them for years out here. Three putty companies in the United States.

Q. Who had the other two, do you know?

A. It wasn't in St. Louis, it was located elsewhere. But any putty you saw, no matter whose label it had was made by them three companies.

Q. Do you have any knowledge, Mr. Baker, as to how long Akers Alarm has been in business here in St. Louis?

A. I would say possibly five or six years. The first time I run into him was about five years ago. One of our Halls here called the German House or St. Louis Hall, a friend of mine told me to go down and see him about an alarm, I went down and he had put one in, that is the first time I had run onto him. I started asking him who he was. That was the first I had ever heard of him.

Q. You have heard more about him since then, I take it?

A. Well, just off and on. We were all called down to [fol. 8368] the Police Department to the Board of Police Commissioners here about three or four years ago when we had central stations, there had been a boob-up on an alarm or something here and they called all the central stations down and give us a lecture on getting the alarms over to the police quicker, but the mixup didn't happen on our line, I want that in the record.

Q. Did the mixup involve any other local alarm?

A. No, it was a central station alarm. But the Police Department thought they was slow in getting over to them and the result was three or four fur coats was stole off the manikins in the window. They blamed the alarm company for holding up the alarm.

Q. Mr. Baker, based upon your experience over the last thirty years, as you testified to here this morning, do you have an opinion as to whether the bulk of protective service of all kinds furnished here in the City and the area in which you operate is approved or certificated service, or otherwise?

A. It is otherwise. There isn't over two per cent of it that is approved. That holds, generally, almost all over the country.

Q. Do you have an opinion based upon your experience as to whether the bulk of all forms of protective service furnished here in the area in which you operate entitled subscribers to all of that service to insurance premium discounts?

[fol. 8369] A. Well, no, I don't think it does, no, by no means.

Q. Are you able to tell me what the division may be in percentage, is it approximately the ninety per cent-ten per

cent difference that you mentioned in that connection with the earlier question?

A. Yes, I think that would be more like it. We find that most people either want burglar alarm or insurance, and when they put the burglar alarm in, in most cases they try to cut the amount of insurance they have, they feel safer with the burglar alarm and they cut the total amount of insurance. Instead of carrying twenty-five thousand, they cut to ten thousand. They figure with the burglar alarm, nobody will get that much without tripping the alarm.

Q. Do you find sometimes, Mr. Baker, that subscribers or potential subscribers indicate that they don't want or feel they don't need any electric protective service because they do have insurance that they feel adequately protected by insurance?

A. Oh, yes.

Q. And you find this to be true in the field in which you have specialized, the burglary field?

A. That is right.

Q. Do you have any impression as of now, Mr. Baker, general or specific, as to whether competition in the electric protective industry here in St. Louis has been increasing or [fol. 8370] decreasing over the last ten years?

A. Well, it is increasing, no doubt about that. Ten years ago, we just had the four companies, and all the rest of them, of course, are new companies. And the ones that are in it, they, of course, have to have more sales people and everything to keep up with the new competition.

Q. I think you told me earlier, Mr. Baker, that you have now approximately four to five hundred subscribers?

A. Four hundred and fifty to five hundred.

Q. And do I understand correctly that having started in 1937 with one that the rate of growth that you have enjoyed over the intervening years has been fairly steady?

A. Well, since the war. Before the war, it wasn't steady, it was a rough affair. But since the war, it has been steady.

Q. And despite the losses of some service subscribers due to the reconstruction that is going on, major reconstruction here in St. Louis, you have at the same time been able to replace substantially those which you had lost for that reason?

A. Oh, yes, with new accounts, of course.

Q. At any rate, generally speaking, you do not go soliciting new business, you find that it comes to you in one way or another?

A. That is right.

[fol. 8371] Q. Do you know, Mr. Baker, as a matter of fact, whether you, over the last five or six years, have obtained any new contracts where you knew that ADT was also hopeful of getting the account?

A. I don't know of any.

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[fol. 8372] Q. Have you ever engaged in any price war with ADT or with any other competitor in St. Louis?

A. Never. We have a price, win, lose or draw.

Q. Has the ADT Company or any other company which furnishes service here in St. Louis, in your opinion, attempted to drive your company out of business?

A. No.

Q. Have any of them, to your knowledge, ever attempted to restrict your operations?

A. No.

Q. Do you have any knowledge, Mr. Baker, of any person, firm or corporation who ever wanted to get into the electric protective service industry here in St. Louis not being able to do so?

A. No, I don't know of any. They get into it, you hear of them later.

Q. But so far as you know, just as you started, when you decided to start on your own and left Potter, somebody else can make the same attempt now, is that right?

A. That is right.

Q. Do you have any personal knowledge, Mr. Baker, as to whether any other companies furnishing electric pro-

[fol. 8373] tective service here in the St. Louis area have tried to restrict each other in their operations?

A. I don't know of any.

Q. Mr. Baker, do you have an account named Goldman's Dry Goods?

A. No, I don't.

Q. Did you ever?

A. No. We probably have that, but not under Goldman's

Dry Goods. We have it under Goldman Draperies, that is on Gravois Avenue. Do you have an address on it?

Q. No, I have some indication that it is "Goldman's Dry Goods," St. Louis.

A. We have a place on Gravois.

Q. And that you provided a local service to such a place commencing, I think sometime in or about May of 1956.

A. That is probably Goldman's Draperies, we have it under Draperies. It used to be an ADT system and he installed ours, I guess about four years ago.

* * * * * * *

[fol. 8374] Q. Mr. Baker, does the American District Telegraph Company engage in the local alarm business here in St. Louis?

A. Very little in recent years.

Q. What do you mean by recent years?

[fol. 8375] A. Well, years ago, back in the '30's, wher it was Western Union, they had quite a few locals. When they bought out the Signal Protective Service Company, they had quite a number of locals, possibly three hundred, and they had them for a period and I imagine they still have some of them that wouldn't switch over to central station that they still have.

Q. When is the last instance to your knowledge that ADT was known by you to have installed a local alarm system here in St. Louis?

A. Well, it would be several years ago. I wouldn't remember just when they quit, but I would say it would be ten years or more since I run into it.

* * * * * * *

Q. Does anyone in your company solicit out in the field local alarm business?

A. No, sir.

Q. Why doesn't your company solicit local alarm business?

A. Well, in the first place, we are not interested in getting too big, we are an individual-owned company and we are satisfied with going along without getting any bigger,

not because we couldn't but because we are just not in-
[fol. 8376] terested in getting too big.

Q. Well, how do you get your business, sir?

A. It is usually recommended by customers of ours that has our service, they recommend it to their relatives who have businesses, and various policemen that we have knowed over the years tell their people that want to know where to get a burglar alarm, they refer some to us, the same as to other companies. And the same through different insurance men that want to write a policy and can't in that neighborhood unless they have a burglar alarm, if he can get us to put the burglar alarm in, he can write his insurance policy.

Q. Sir, would it be possible for you to greatly increase your business if you would put salesmen in the field?

A. Oh, yes, many times.

Q. Can you give us any estimate as to how much you could increase your business if you would actually go out and solicit business?

A. Oh, possibly by sixty or eighty per cent.

Q. Within what period of time?

A. Oh, over a period of possibly ten years.

Q. Do you actually engage with the American District Telegraph Company in competition for local alarm business?

A. Well, we haven't, no. The only time we have ever run into competition with them was when we had the central station.

[fol. 8377] Q. I think you mentioned to Mr. Conkling that the competition in the alarm business here in the St. Louis area had increased in the last few years.

A. It has considerably.

Q. In what respect, sir?

A. By more people entering the field.

Q. In other words, you meant by that, there are more alarm companies in St. Louis now than there was previously?

A. Than there ever was, yes.

Q. Do you have a backlog of accounts or requests for installations in your office which you have not installed?

A. Yes, sir, we have.

Q. Approximately how many?

A. Oh, I would say possibly fourteen.
Q. Fourteen?
A. Yes, sir.
Q. And you didn't solicit any of those, they called your company?
A. Not a one of them; they all called.
Q. By the way, sir, has ADT or any of its representatives ever referred any local alarm business to your company?
A. Yes, they have.
Q. Could you give us any estimate as to how many referrals you received in the last year?
A. Well, I don't know exactly in the last year, but over possibly a period of the last three years they have referred maybe five or six to our knowledge. We don't know how [fol. 8378] many is referred that we don't know about.
Q. How do you know they refer accounts to you?
A. People, when they call, want to see us about an alarm and we go over and they say ADT salesmen referred them to us, they couldn't give them the local service, we were in the local business and was more equipped to handle that type of business.
Q. Sir, I think you stated in your direct examination that your company did not do any watchmen supervisory services?
A. No, we don't.
Q. Is a company set up as yours is now equipped to conduct that type of service?
A. No, sir.
Q. Does your company conduct any sprinkler supervisory service?
A. No, sir.
Q. Is a company set up such as yours equipped to engage in that type of service?
A. No, it isn't.

Mr. Conkling: I object to the form of that question, unless you are talking about their company, Mr. Story.
Mr. Story: I said his company.
Mr. Conkling: Well, you said a company such as his company. If that is clear—well, the objection may stand.

[fols. 8379-8383] A. No, sir, we are not.
Q. I am talking about your company, sir.

A. No, sir, we are not equipped for that.

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[fols. 8384-8385] Q. Sir, in connection with running your business, have any subscribers called you or contacted you in relation to protection service which you could not furnish??

A. Oh, yes, we have that happen very often. We have one right now that called us from East St. Louis wanting central station alarm. They got a bid from another firm and wanted to get another bid on it, and we can't handle them because we don't have the facilities for central station service in East St. Louis unless we run it into the police station and we are full-up over there, we was only allowed a certain number and we have our quota.

Q. What do you do in those instances where subscribers call you and say they want central station protection service?

A. We tell them there is only two can handle them, that is either ADT or Potter, that is the only two has the central station facility.

Q. How often would you say that happened in the last year?

A. Oh, several times.

Q. Could you give us an estimate in numbers?

A. Ten or more times, I would say.

Q. What about the year before?

A. Well, it runs around about the same all the time.

Q. And your company can't furnish that business and you refer them to Potter or ADT?

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[fol. 8386] Q. Sir, I think that you have testified to this, but it is not clear in my mind; does the Police Department in [fol. 8387] St. Louis proper allow any alarms connected to the Police Department?

A. Not no more.

Q. Have you attempted to connect some alarms?

A. Yes.

Q. When was that, sir?

A. Oh, it has been several years ago when we learned

that you couldn't bring anything into the police station, only thing they will allow in was banks, here when we was having a bunch of bank holdups, they changed that and made everybody run them into the burglar alarm company central station because they had missed the boat on some of them and hadn't sent out like they should.

Q. Then the Police Department, thereafter, forced them to go into the central stations?

A. That is right.

Q. When did that take place?

A. That was, I guess, possibly in '58 or '59 when we was having a lot of bank holdups.

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[fol. 8388] Q. Now, what about your Fire Department here in St. Louis, do they allow fire alarms to be connected to the Fire Department?

A. I don't know of any that do. They took them out years and years ago and since then I don't think they allow anything in the City Fire Department.

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Q. Sir, you mentioned in your direct examination that it was your idea that only approximately two per cent of the alarm systems in St. Louis were approved by the insurance organization; what type of service were you referring to?

A. Well, I was referring to central station burglar alarm services or local that have a certificate, in other words, I don't mean the type of installation, most of them would take an approval if you had the Underwriters' Certificate but only about two per cent of the people that want the certificate.

Q. That is based on your experience in the central sta-
[fol. 8389] tion business?

A. That is based on most central station companies, the different ones that I have had anything to do with. I know it was true at Potter, about two per cent of them. We had indicators on the panels that indicated whether they had a certificate or not, we use a green isin-glass for the regular ones and red isin-glass for the certified systems,

and just about two per cent of them had the red ising-glass in them.

Q. You left Potter during what year?

A. In '37.

Q. You wouldn't have any idea what the situation is there since that time?

A. No, but generally speaking, I imagine it is about the same from my conversations with ones that know.

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[fol. 8390] Q. [illegible] you mentioned this morning that even though you do not issue Underwriters' Certificates that some insurance companies give your subscribers a rate reduction?

[fol. 8391] A. That is true.

Q. Can you tell us the names of some of those companies?

A. Well, we had this insurance company out of Peoria, Illinois, Great Central, some years back they were totally a mutual company and, of course, now they have started writing stock policies, too, and I understand the main reason they switched over to stock companies is under a mutual insurance company, no matter how many losses a man has, you can't cancel him out, where under a stock company, if he has a loss, you can cancel him out, but that is one firm that I know that was giving reductions and we run into it at different places. I don't know the names of the companies, but our customers tell us they get fifteen to twenty per cent off.

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[fols. 8392-8396] Q. Sir, could you tell us approximately what types of businesses that your local alarm subscribers run?

A. Well, we have all types.

Q. Could you give us any idea as to the size of the businesses?

A. Well, most of ours are small businesses. We do have some large business, but I mean, the biggest mass of them are small businesses?

Q. Do you have any of the large downtown department stores where you have your local alarms?

A. No, we don't.

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Redirect examination.

By Mr. Conkling:

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[fol. 8397] Q. Is it substantially a true statement, based on your own personal experience, that the kind of customers or subscribers you had had for central station burglar alarm service are the same as the kinds of customers you had for local burglar alarm service?

A. Yes, it is the same type of business. The only thing is, usually, with central station customers, they are larger firms, they have larger buildings and possibly more merchandise involved.

Q. You say this is usually true, but I take it there are instances when it is otherwise?

A. Oh, yes, some large companies that has local, yes.

* * * * * * *

[fol. 8397a] Q. Now, the last time we talked, Mr. Baker, I had asked you to tell me what your gross revenue figures were during several years, and I started with 1961 and, at that time, I believe you said that your figures weren't in yet.

A. What year?

Q. 1961, last year.

A. Well, I think last year our gross was about thirty-eight thousand. Of course, my net was away down from [fol. 8397b] the gross because of taxes and increases in cost of labor and things. My gross was about as high as usual, but our net was less.

Q. And can you tell me how it has been for these first six months, approximately, of this current year?

A. Never been busier.

Mr. Story: What was that last statement?

The Witness: I say we have never been busier; in fact, I am beginning to think here last month we were the only one in the city.

By Mr. Conkling:

Q. Have you actually added a substantial number of new subscribers and customers?

A. Yes, we have.

Q. Can you tell me, as closely as you are able to estimate, what the number of accounts is that you now have?

A. Well, I don't know exactly the number of accounts, but I do know that we have added about thirty-four since the first of the year.

Q. And it is true, I take it, is it not, Mr. Baker, that the types of business establishments that you service and protect are substantially the same as the types of business establishments that the central station companies protect?

A. Well, in most cases, yes. The only time where we wouldn't have a chance for a job of that type would be [fol. 8397c] against a big industrial plant of some kind. In other words, a big factory or something of that kind, a local alarm by itself wouldn't be substantial enough.

Q. Nevertheless, you do have several of those accounts, do you not?

A. Oh, yes, we do.

Q. Such as the putty factory, I think I remember.

A. We don't have it no more, they had to move. But we had them for years. But we do have other factories.

* * * * * * *

[fol. 8397d] Q. Now, you testified back in January, Mr. Baker, about your experience, and you mentioned how you had been with the Potter Company for some years and another company prior to that and, then, after Potter you started your own business and have been now, for a good many years, conducting your own business. Is it not a fact, Mr. Baker, that the type of service which you now provide tends to minimize losses by reason of burglary in the same types of businesses, generally speaking, that are [fol. 8397e] protected by central station companies?

A. Oh, yes.

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[fol. 8397f] Q. Are there any Robert Hall stores in this city?

A. Yes.

Q. Do you protect any of them?

A. No. Potter has all of them. There again, Potter has them on locals, so that is our competition.

Q. Now, is there anything, Mr. Baker, that you said to or told Mr. Story in your conversation with him in January 1962, which you have not said in response to questions during this deposition?

A. I believe not; no.

Q. Mr. Baker, when we were here together in January, you told me, among other things, that there was another protective service company here named Central District, I believe.

A. That is right, yes.

Q. And a Central Southern Alarm System?

A. That is right.

Q. And you mentioned Akers Alarm, I believe?

A. That is right.

Q. Who provide watchmen?

[fols. 8397g-8398] A. Well, they have central station service. I think it is very limited. They haven't got very far with it, but they do have central station service; in fact, we lost an account to them about a month ago.

Q. Do you know who the principal in that company is?

A. His name is Akers.

Q. Do you know where his central station is located?

A. Well, it is listed in the telephone book. I don't know the exact location, but it is off Jefferson Avenue on one of the streets there. I know where it is, but I don't remember the name of the street. He is in the telephone book.

Q. Have there been any other recent entries into the protective service field in St. Louis?

A. Yes, one more listed in the book this time called Federal.

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[fol. 8399] IN THE UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT W39a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

v.

GRINNELL CORPORATION, ET AL., Defendants

Deposition of RUSSELL W. LAXSON taken by Defendants American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, before Catherine E. Griffith, Notary Public, State of Minnesota, County of Hennepin, at 2400 First National Bank Building, Minneapolis, Minnesota, commencing at 10:00 o'clock a.m., July 11, 1963, pursuant to notice.

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[fol. 8400] RUSSELL W. LAXSON called as a witness by the defendants, being first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Williams:

Q. By whom are you employed, Mr. Laxson?
A. Minneapolis Honeywell Regulator Company.
Q. In what capacity?
A. Secretary and Treasurer.
Q. Where is that company located?
A. The general office is in Minneapolis.
Q. And its address?
A. 2747 Fourth Avenue South.
Q. What is the general nature of the business of Minneapolis Honeywell Company?
A. It's a very complicated business, primarily in con-

trols for residences, commercial buildings, industrial plants, various industrial process controls and control systems, computer control systems, and an electronic data processing business in a large way, a very substantial special military products operation, and various types of controls and control systems, and other associated gear——

Q. Is there a ——

A. (Continuing)--operating worldwide.

[fol. 8401] Q. Excuse me. Is there a part of the company that is engaged in the manufacture and installation of fire alarm and intrusion alarm systems and industrial process supervision systems?

A. Yes.

Q. Is there a specific title to this part of the company's operations?

A. It is called our Commercial Division and the product lines to which you refer are a subdivision of that operation.

Q. How long has the Honeywell Company been engaged in this line of business?

A. To any substantial extent, about four or five years.

Q. What type systems does the company manufacture and install under this part of its business? By that I mean, what are they designed to supervise?

A. Fire detection, instrusion detection, equipment monitoring.

Q. Are some of these systems designed to supervise the operation of industrial equipment that operates continuously?

A. Yes.

Q. Do any of these devices supervise the operation of automatic sprinkler systems?

A. Not to my knowledge. I can't be 100 percent sure on that, but I——

Q. Are any of these systems used to supervise the [fol 8402] scheduled patrols of watchmen or guards in a building?

A. Well, they are basically to make it possible to replace physical guards. You automatically patrol and control through a central location.

Q. Am I correct in assuming that these systems detect abnormal conditions and transmit information about them to some control point on the premises?

A. This particular type of system, yes.

Q. Yes, and at this central point there is generally one or more persons who are there to observe the receipt of alarm or trouble signals?

A. Correct.

Q. These systems are generally known in the trade as proprietary type alarm systems?

A. That's our definition.

Q. Since about 1959, which is some four years ago, could you estimate for us, sir, how many of these proprietary type systems the Honeywell Company has installed in the United States?

A. Off the record question?

Mr. Williams: Sure. Go ahead.

(Off the record discussion.)

The Witness: I believe there has been about 200 a year, and so we are talking perhaps, in the area of six, seven, eight hundred jobs, in that magnitude.

[fol. 8403] Q. In addition to manufacturing and installing this type of system, does the Honeywell Company also manufacture and install smaller fire alarm systems?

A. Yes.

Q. Are these systems generally of a manually operated type?

A. Yes.

Q. Do they, when operated, sound an audible alarm on the premises?

A. Yes.

Q. Commonly known as a local fire alarm system?

A. Yes.

Q. How long has the company been manufacturing and installing this type of system?

A. I believe about the same period of time.

Q. And do you have any information as to approximately how many of these types have been installed over the same period of time?

A. The figure is considerably higher than the other, and probably at least double. This is a rough approximation. Let's say about fourteen, fifteen hundred, the local

system type. It could be some more than that, but that's——

Q. Going back to the proprietary type system, sir, approximately how much revenue has the company received in each of the years from 1959 through 1962 from the sale [fol. 8404] of that type of system?

A. Let's see—off the record a minute.

(Off the record discussion.)

Mr. Williams: We will go back on the record.

By Mr. Williams:

Q. Describe for us the figures that you have and then give them to us.

A. Our total business in fire alarm and building security in 1959 was about $600,000, about $1,300,000 in 1960, and it's been about $1,200,000 in '61 and '62.

Q. Is it—excuse me, go ahead.

A. In 1959 about two-thirds of that was fire alarm. In 1960 slightly more than half of it was fire alarm, and in the last two years about two-thirds of it again has been fire alarm.

Q. These proprietary systems, that you install, are they manufactured almost wholly by Honeywell Company?

A. Yes.

Q. And are these commonly sold outright to the ultimate user?

A. Yes.

Q. Is each one generally a custom built——

A. Yes.

Q. (Continuing)——job and installation?

A. Yes.

[fol. 8405] Q. Are they installed by your employees?

A. They are either installed by our employees, or perhaps subcontracted or journeymen picked up at various locations; under our supervision, however.

Q. Do these sales take place throughout the United States?

A. Yes.

Q. Are they generally sold in larger metropolitan areas?

A. I believe that most of them are sold in metropolitan

areas. There is quite a bit of it on various military bases and operations which may be away from those areas.

Q. The purchases of these proprietary systems are commonly larger industrial establishments and commercial buildings?

A. I would say industrial establishments and Government are the——

Q. Are the principal purchasers?

A. More than—something a little more than 50 percent of our sales in security are Government.

Mr. Story: Excuse me, I didn't hear your percentage there.

The Witness: I say something between 50 and 60 percent of our security sales are Government installations.

[fol. 8406] By Mr. Williams:

Q. And the remaining 40 percent are to commercial users?

A. Mostly industrial locations.

Q. And by that you mean the usual manufacturing plants, warehouses——

A. Right.

Q. (Continuing)——and that type of structure?

A. Correct.

Q. In one of these proprietary systems, what does Minneapolis Honeywell mean by the term building security? What does that encompass?

A. Well, basically—basically two things, your monitoring of certain equipment and secondly, control of traffic, instrusion, knowing who is where, and so forth.

Q. In other words, that would be door controls or signaling devices that would indicate whether exits were open or closed?

A. Right.

Q. Would it be devices to detect the movement of unauthorized personnel in certain areas?

A. Yes.

Q. Would it be devices that would detect smoke, for example, in certain areas?

A. Yes.

[fol. 8407] Q. Would there be devices that detected sudden rises of heat?

A. Yes.

Q. All of these would transmit this signal of some type to a central point?

A. Correct.

Q. And then in addition there would be some type of device that maintained a watch over continuing mechanical or physical processes?

A. Yes.

Q. Have the types of things that I have just talked about pretty well exhausted the types of detection systems that the company furnishes in this proprietary——

A. Pretty much. Once in a while you get a request for a quote on some sort of an exotic control item that's completely out of the ordinary, some of which we can fill, and some of which we can't.

Q. But these are the usual and common types of things that are monitored?

A. I believe you pretty well covered the field.

Q. Now, you said a moment ago that substantially all this equipment is sold outright to the ultimate user. Does the Honeywell Company have any program whereby it furnishes service and maintenance on an after-sale basis?

A. Yes.

[fol. 8408] Q. How does that work, sir?

A. We offer either maintenance contracts on equipment we install, on a fixed annual fee basis, or in case someone doesn't want that, we will furnish on-call maintenance service.

Q. Could you estimate for us, sir, the proportion of your sales that are—in which the purchasers enter into a maintenance contract with your company?

A. I cannot estimate that accurately. Our Maintenance Service Division is a separate group within the Commercial in which maintenance contracts for all types of equipment are taken and processed, and I cannot give you any accurate figure.

Q. Would it be fair to say that the majority of these purchasers do or do not enter into such agreements with you?

A. A small percentage have yearly maintenance contracts.

Q. Would it be on the order of less than 25 percent——

A. Yes.

Q. (Continuing)——of your purchasers?

A. Yes.

Q. With respect to the sales of these proprietary equipments, does the company maintain a sales staff throughout the United States?

A. Yes.

Q. Do the sales people who are responsible for selling [fol. 8409] this type of equipment also have a responsibility for selling other types of Honeywell equipment and services?

A. In the field, in each of our regions we have one fully qualified expert in this thing who is training and working with other Commercial salesmen and so that beyond those people there's fractions of time, of individual salesmen that work on this directly.

Q. But in each one of your sales districts there is one person to whom this is a pretty much fulltime job?

A. Fulltime job.

Q. How many such people are there throughout the United States, sir?

A. There are a total of 12 men assigned outside of our home office on this. They are assigned fulltime.

Q. Are they stationed in any particular city?

A. Well, they are in our regional offices around the country. They cover regionally the whole United States. They are mostly stationed in larger cities.

Q. Would you know offhand what the location of these 12 regional offices are, just by city?

A. Off the record.

(Off the record discussion.)

Mr. Williams: Let's go back on the record.

By Mr. Williams:

Q. Now, you say the Honeywell Company has been in [fol. 8410] this field to some degree approximately since 1959?

A. '58, '59, is when——

Q. Could you describe to us generally how it came to enter this particular type of business?

A. We entered this type of business, number one, we are in the control business generally; secondly, we in our Commercial Division we have a group of salesmen who are familiar with the—this architect, contractor, building owner or plant owner market, and in our centralizing of panels for the control of heating, air conditioning, etc., the addition to that particular business of this equipment monitoring, building surveillance and to some extent fire detection devices in this business, was considered a constructive step.

Q. And did you find that furnishing of this type of equipment was a natural adjunct to the services that you were already furnishing for heating and air conditioning systems, controls?

A. It has—I can't say that we have burned up the league with our performance in this area, but it has been a definite plus and we expect it to continue to be.

Q. During the current year of 1963, approximately how are your sales running on this proprietary type equipment, on a monthly basis?

A. I understand that it isn't particularly impressive right at the moment. The bookings have been down slightly [fol. 8411] this year.

Q. Well, I don't know what might be impressive to Honeywell or what might be not, but could you give us some estimate of——

A. Our booking rate on the total business, which I have indicated was running in the area of $100,000 a month, is at the last I checked into it a short time ago, it was running no greater and perhaps a little less than last year. In that figure I am talking about the total of local proprietary and the total pot.

Q. All right, Now, since 1958 approximately, when the company began to furnish this type of equipment, has it encountered competition from other companies that are engaged also in furnishing electric protective equipment or services?

A. I am not familiar with the details of the degree of competition from all of the companies. I know there are

numerous companies that have some devices in this field, but I'm not familiar enough to discuss it.

Q. Has any other person in the company ever reported to you about the existence of competition from other companies that are furnishing electrical alarm services?

Mr. Story: Object to the form of the question.

Mr. Williams: You may answer it, Mr. Laxson, if you can.

[fol. 8412] The Witness: Well, will you repeat that question?

(The question was read.)

The Witness: Not in terms of specifics, no.

By Mr. Williams:

Q. Have there been any general reports made to you, along the same line?

A. I get general reports on heavy competition in all the lines we are in, but——

Q. Well, have you had reports of heavy competition from companies who are engaged in furnishing services that do the same thing as your proprietary systems attempt to do?

Mr. Story: Object to the form of the question.

The Witness: In general, yes.

Q. Mr. Laxson, what is the function and purpose of the proprietary systems that your company manufactures and installs? Why are they used?

A. To perform a necessary protection system and I assume that the customers are attempting to do those—perform those protective functions at the lowest cost.

Q. Are these systems designed to minimize losses from fire, burglary and other hazards?

A. Yes, with the emphasis on the security in the proprietary systems, rather than in the fire.

[fol. 8413] Q. In other words, people or companies would install these systems for the protection of corporate property?

A. Yes.

Q. Real estate——

A. In one form or another, yes.
Q. Whether is be real estate or personal property?
A. Yes.
Q. Valuable equipment?
A. Yes.
Q. Possibly funds?
A. Yes.
Q. Your equipment is also designed to sound a signal if an industrial begins to go out of order in some way, is that correct? This would be to guard against possible damage to equipment and material that's being processed, is that correct?
A. Yes.
Q. With respect to the fire and fire alarms and smoke detection systems, these would have the same function or attempt to prevent damage to real and personal property?
A. Yes.
Q. Are you familiar with a type of electrical protection service known as Central Station Service?
A. In a general way, yes, no real details on it.
Q. Do you know what the purpose and function of that [fol. 8414] type of service is?
A. Yes.
Q. What is that, sir?
A. To give a signal to a central station so that action can be taken.
Q. As with respect to burglary, fires or unauthorized intrusions on the property?
A. It's my understanding.
Q. And also malfunctions in industrial processing equipment, is that correct?
A. I'm not familiar with ADT's work on that side of it.
Q. Do the systems that you sell and the services that are offered by Central Station Protection Companies have the same end object, that is, the protection of property and life?
A. I would say yes.
Q. And they both accomplish this by means of sending a supervisory or alarm signal from one point to another, is that correct?
A. Yes.
Q. And these alarm signals are initiated by various

types of sensing devices that are located throughout the premises?

A. Yes.

Q. To that extent, the systems that you sell and those that are offered by—those services that are offered by [fol. 8415] other Central Station Companies are competitive, are they not?

Mr. Story: Object to the form of the question.

The Witness: In a broad sense, competitive.

By Mr. Williams:

Q. Yes. If a customer bought one of your proprietary systems, he would not get Central Station Protection service, in addition to that, would he?

Mr. Story: Object to the form of the question.

The Witness: Depending on the functions covered by each, it is possible to have both the——

By Mr. Williams:

Q. But assuming they were both to cover the same functions, that is, suppose, take an example, an intrusion protection service sold by Minneapolis Honeywell, it wouldn't be necessary for that same customer to have an intrusion protection service furnished by a Central Station Company, would it?

A. No, sir.

Q. For smoke detection the same would be true, would it not?

A. Yes.

Q. And would the converse be true, that if a building was serviced by a Central Station Company for intrusion service, instrusion detection service, they would not be a [fol. 8416] customer for a proprietary system manufactured by the Honeywell Company?

Mr. Story. Object to the form of the question.

Q. Covering the same areas?

A. It would be a matter of economics, basically.

Q. They wouldn't have both at the same time?

A. No, I shouldn't think so.

Q. I think you mentioned a few minutes ago, Mr. Laxson, that one of the objects which a proprietary system seeks to accomplish is the elimination of the personal element, I mean, the use of guards to patrol the building. Is that a selling point that your company uses in promoting the sales of this type of equipment?

A. It would be one of the points, yes.

Q. Is it possible, or would it be possible, by the design, proper design of one of your systems, for a, say, a manufacturing plant to eliminate the use of scheuled guards to make patrols through the premises to observe unauthorized entry and possible fire?

A. Yes.

Q. And they could be eliminated almost completely, except for the persons who would be used to monitor the central panel, is that correct?

Mr. Story: Object to the form of the question.

[fol. 8417] The Witness: It would be possible. You might have to have someone to take care of looking into this signal.

Q. In other words, somebody to take some action?

A. That's right.

Q. When a trouble signal of some kind was received?

A. That's right.

Q. Are these proprietary panels or consoles that are installed commonly connected in some way to local fire or police headquarters in the city that they are installed in?

A. No, not commonly.

Q. Is it done under some circumstances?

A. I think on rare circumstances. I cannot give specific examples.

Q. Is any of the proprietary equipment that's manufactured by the Honeywell Company approved by Underwriters Laboratory, Inc.?

A. Off the record.

(Off the record discussion.)

The Witness: Proprietary fire systems, we do not have UL systems approval. Two of the detectors that we use in the proprietary systems by themselves are UL approved. In the surveillance, as far as this intrusion de-

tection, I understand there is no UL category that specif-
[fol. 8418] ically approves or disapproves on surveillance stations.

By Mr. Williams:

Q. You do have, however, a motion detection device that's approved by Underwriters, and a total wire detection device that's approved?

A. By Underwriters.

Q. Those are——

A. Yes, specific device, but there is no systems approval as far as surveillance. There are individual devices.

Q. Those two devices that I just mentioned would be used in conjunction with a surveillance system, however?

A. Yes.

Q. Mr. Laxson, do you know whether your company has ever bid on an installation where a proprietary system at the Duriron Company in Dayton, Ohio?

A. I know because you showed me the sheet.

Q. All right. Suppose you look at the sheet and see if you can refresh your recollection with it.

A. I saw this sheet for the first time about—this morning.

Q. Do the writings on that sheet refresh your recollection in any way about whether your company did bid on a proprietary installation at that subscriber's premises?

A. I understand, yes.

Q. Do you know whether your company was bidding on
[fol. 8419] that job in competition with any other company?

A. I did not know the details of this.

Q. You do know now, though, however, that your company did bid on and install a system at that location?

A. Yes, I found that out this morning.

Q. Now, take a look at this one, which relates to the Tri-Valley Packing Co. located in San Jose, California. Does looking at that document refresh your recollection as to whether your company bid on or installed a proprietary system there?

A. My answers will be the same as on the previous——

Q. Okay. Then it is your recollection that your company did bid on and install a system at that location?

A. Yes.

Q. Take a look at this one which relates to American Can Company in Philadelphia, Pennsylvania. Does looking at that document refresh your recollection as to whether your company offered a proprietary system to that prospective customer?

A. We did.

Q. And approximately when was that, sir?

A. It was a couple of years ago. I believe this refers to just one division of American Can, and there was an over-all quotation for several locations.

Q. Okay. I show you another document bearing the name of the Kroger Company in Cincinnati, Ohio. Does [fol. 8420] looking at that document refresh your recollection as to whether your company offered this prospective customer a proprietary signaling system?

A. Yes, we did.

Q. I show you another one concerning the Thompson Ramo Wooldridge Company in Cleveland. Does looking at that document refresh your recollection as to whether your company offered some type of proprietary signaling system to that prospective customer?

A. Yes, we did.

Mr. Williams: Miss Reporter, would you mark this group of documents consisting of six pages as Defendant's Exhibit A for identification in connection with this deposition?

• • • • • • •

By Mr. Story:

Q. Mr. Laxson, Mr. Williams has shown you certain documents which he has marked as Defendant's Exhibit A consisting of six pages. Would you take a look at these documents and tell me whether or not these documents were prepared by the Minneapolis Honeywell Company?

[fol. 8421] A. I was concerned about this six business here, or five.

Mr. Williams: One consists of two pages.

A. No, they were not.

Q. Did you ever see those documents before today?

A. No.

Q. Could you tell us how the reference or the observance of those documents refreshed your recollection as to whether or not your company, Minneapolis Honeywell, actually bid on those accounts?

A. Subsequent to seeing these, I called a gentleman who was involved in the sales.

Q. What was that gentleman's name?

A. William Boyle.

Q. What is his position, sir, with the Minneapolis Honeywell Company?

A. He is involved with—from the home office standpoint in the promotion of this business.

Q. What type of business, sir?

A. The detection—the surveillance, fire detection, etc. that——

Q. In other words, he is in charge of the protection division of——

A. I believe we call it Building Security.

Q. Building Security Division of the Minneapolis [fol. 8422] Honeywell. Does he coordinate those activities throughout the United States for your company?

A. He is a specialist in this business.

Q. Mr. Laxson, do you have any firsthand supervision over the protection or detection department of Minneapolis Honeywell?

A. Only in a very indirect sense.

Q. The information that you have given here today concerning the protection business of Minneapolis Honeywell came to you secondhand from someone else who was primarily responsible for this type of activity, is that correct?

Mr. Williams. I will object to the form of the question and allow the witness to answer.

The Witness: Partly first and partly secondhand.

By Mr. Story:

Q. Well, how much of it firsthand, sir?

A. Well, in terms of certain specifics as to what other people did and so forth, obviously it's got to be second-hand because I wasn't present at all these occurrences.

Q. Did you ever submit a bid for a protection system that you have installed since 1949 personally?

A. No.

Q. Did you ever figure a cost for submitting a bid on any of these protection systems?

[fol. 8423] A. No.

Q. Do you, of your own personal knowledge, know of any instance where a bid was submitted by your company, what other bids were actually made on various projects?

A. Not in detail, no.

Q. Well, in what regard did you know of it, sir?

A. Well, I have been involved at some times in the past with discussions or have been in meetings where—within our company, where certain aspects of this business are discussed.

Q. And the information that you gained there was what was discussed at the meeting and what information you received from others in your company?

A. Yes.

Q. Referring to Defendant's Exhibit A for the moment, sir, can I see that?

A. Yes.

Q. Did you have any personal knowledge as to the bidding activities in connection with the Duriron Company, Inc. of Dayton, Ohio?

A. Not until this morning.

Q. And your information that you testified to this morning came from some other official in your company?

A. Yes.

Q. Did you have any personal information as to the [fols. 8424-8425] bidding activities for the Thompson Ramo Wooldridge?

A. The same answer will apply to all of those.

* * * * * * *

[fol. 8426] Q. Has your company, Minneapolis Honeywell Company, been approved by Underwriters Laboratory to furnish accredited protection service of any kind?

A. Yes.

Q. What approval have you received, sir?

A. Well, the devices which we use in these so-called local fire detection systems are UL approved.

Q. Now, outside of your devices, sir, is your company authorized to maintain and service alarm systems and issue Underwriters Laboratory Certificates on the service and maintenance that your company performs?

A. I have no knowledge of that.

Q. Forgetting the device, but strictly from a service and maintenance standpoint, has Minneapolis Honeywell received the approval from any insurance organization having jurisdiction over the various types of protection services?

A. Not insofar as proprietary. I believe that the indi-[fol. 8427] vidual local systems components being UL approved, that it would carry forward into the insurance company ratings. I'm not familiar with any specific approvals.

Q. Do you know whether or not Minneapolis Honeywell has submitted any applications to the factory mutual motor companies for approval on your protection service and maintenance contracts?

A. No, I'm not.

Q. What about FIA? Would the same be true there?

A. I believe that with FIA we have had some favorable——

Q. Well, has your company, as a company, been approved by FIA to establish, service and maintain various types of fire alarm systems throughout the United States?

A. No.

Q. You have never submitted an application for a formal approval?

A. I cannot state whether—I doubt that there has been any formal application. I can't state that positively.

Q. Do you know whether or not Minneapolis Honeywell has received the approval to service and maintain fire alarm systems from any of the state inspection and rating bureaus?

A. I do not believe we have, speaking insofar as proprietary.

Q. Well, do you have any approvals from your state insurance rating bureaus?

A. I can't answer the question.

[fol. 8428] Q. You have never seen any document——

A. No.

Q. From any insurance rating organization to your company saying that your company has been approved to service and maintain alarm systems?

A. No.

Q. Sir, do you know whether or not any of the alarm systems which have been installed and are now being serviced and maintained by your company have been connected to any of the municipal fire departments throughout the United States.

A. There are some, yes.

Q. Where are you allowed to connect these alarm systems? In what cities?

A. Well, I can't give you a comprehensive list. I know of two in small towns in Connecticut where, in effect, a group of interested people within the city contracted with us to build a central panel to which they could all connect.

Q. What are those cities, sir?

A. Guilford and Waterbury.

Q. And some of your alarm systems have been connected there to the Fire Department?

A. Right.

Q. Now, can you tell us any other places where you have run your alarm systems into the Fire Department or to the Police Department?

[fol. 8429] A. Those are the only ones I know of.

Q. Did you attempt to find such information prior to coming here today, sir.

A. I asked the question offhand in a hurry couldn't get a definitive answer.

Q. Did you talk to the chief of your protection division in an effort to obtain this information?

A. Yes.

Q. And those are the only two cities he was aware of?

A. Those were mentioned as an example.

Q. And he didn't mention any other cities?

A. No. I didn't—to amplify that, I didn't ask him a specific question. I asked him if he could give me an example of where it had been done.

Q. But at this moment, so far as you personally know, those are the only two cities where Minneapolis Honeywell alarm systems have been connected to a Fire Department?

A. Proprietary systems, yes.

Q. Would this be a proprietary system or a remote station system, sir?

A. Well, this is not what we call—this particular example is not a proprietary system, as we call it.

Q. Well, what do you call that type of system?

A. Well, I personally have not had occasion to call it anything. It's either a junior central station or a remote [fol. 8430] station deal.

Q. What is a remote station fire alarm system, sir? Describe it for us.

A. I have no description on that.

Q. Could you tell us what a direct connected alarm system is?

A. No.

Q. What do you describe as a local alarm system?

A. A local alarm system is one where, in ours where ordinarily a manual pulling or a plunger or breaking of a glass will set off an alarm, and audible alarm for evacuation of a building.

Q. Where does it set the alarm off, sir, in the premises?

A. In various places within the premises.

Q. Does this alarm transmit any alarm to any outside agency other than the premises?

A. In some of the cases, these local systems may be connected to a fire call box which automatically transmits it into the local fire alarm system.

Q. In how many instances would that happen, sir?

A. I have no figures. I understand there are quite a few of our locals that do get connected into the municipal systems, but I do not have precise figures on them.

Q. In what types of installations do you install your local alarms? Describe them.

A. Mostly—the majority of them in schools, nursing homes, buildings of that type.

Q. Do you know whether or not you have installed many

of these local alarms in any, say, commercial of industrial establishments?

A. I understand there are some of them, but it is a very minor number.

Q. Sir, would you describe for us what an auxiliary fire system is?

A. No, I can't.

Q. Now, you mentioned, sir, in your direct testimony that your company had service and maintenance contracts on less than 25 percent of the alarm systems that your company had installed in the last four years, four to five years. You said some of these contracts were for a monthly or yearly fee and others were on a per call basis. Could you tell us approximately what percentage of that 25 percent where you have service and maintenance contracts would be on a per call basis?

A. I think you misunderstood. My understanding of the question was, what percentage of our proprietary systems do we have fixed period maintenance contracts, and I testified in answer to his question that it was less than 25 percent.

Q. And did you also—do you have other contracts on a per call basis?

[fol. 8431] A. Well, those would not be contracts. Those would merely be an accommodation to a customer to send someone out on an hourly rate. There is no contract involved, or no contract, as we understand it, involved in that.

Q. Well, sir, you said, as I recall, less than 25 percent. Now, what do you mean by less than 25 percent? Does that mean 10 percent, 15 percent?

A. The rough approximation that I have is it would probably be closer to 10 percent than 20 percent.

* * * * * * *

[fol. 8432] Q. Could you tell us, sir, in the last year how many alarm systems that Minneapolis Honeywell has installed in premises which were previously serviced by central station protection service of the American District Telegraph Company?

A. I know of none except perhaps our own, and whether that's in the last year or not, I do not know.

Q. Well, from the time you went into the alarm business in 1958, would you tell us how many alarm systems that your company has installed in premises which were previously protected by central station protection serv. [fol. 8433] ice of the American District Telegraph Company?

A. I cannot give you figures on that. The number would be small.

Q. Well, do you know of any specific one where that has happened?

A. Yes.

Q. What is that instance?

A. The one I am familiar with is our own company.

Q. In other words, you have installed your alarm system in your own premises, your general office, and your premises here in the Twin City area?

A. To some extent here. We have done a complete job on it in Philadelphia.

Q. Why did you change, sir?

A. Well, to save a lot of money.

Q. Your system after being installed saved your company a lot of money over what ADT was charging, is that right?

A. Well, this was a system primarily on the instrusion section, which eliminated a good number of guards at various locations within this plant.

Q. Whose system, your system or ADT's?

A. Our system.

Q. Your system. Well, after you replaced ADT's central station protection system in your premises here, what happened to the ADT system?

[fol. 8434] A. Well, I can't speak—I know in Philadelphia it was removed, because I was involved in that particular——

Q. ADT removed their alarm systems?

A. Yes.

Q. Do you know whether or not Minneapolis Honeywell had previously paid the ADT Company an installation charge for installing that alarm system?

A. I can't speak from personal knowledge on that. That would have been installed long before I was with the company.

Q. But ADT did remove its alarm systems from your premises?

A. I believe that is correct.

Q. And your company installed its own alarms in your premises?

A. Correct.

Q. And the reason for the change was what?

A. Economics.

Q. Can you give us any approximation in percentages how much the installation of your own system saved your company in replacing ADT's central station system?

A. I think this—the replacement of this particular equipment was really just a part of it. It was partly a change of our own modus operandi in guard service and all that sort of thing that was involved, that this intrusion detection stuff which was not actually in the plant or avail-
[fol. 8435] able for the availability of that, permitted us to eliminate a great number of people; but this thing was not a one for one replacement, by any means. It was something in addition to that.

Q. No, sir, do you know of any other specific instances where your company has installed alarm systems in premises where any approved central station company formerly had protection services?

A. I can't state any specifically, no.

Q. Since your company has been installing alarm systems and servicing some of them, do you know of any instances where ADT has bid for the protection account and obtained the account?

A. Well I think in those particular papers there was one such case I happened to check this morning.

Q. That information came from your Protection Division Manager?

A. Correct.

Q. And you have no personal knowledge of it yourself?

A. Correct.

Q. Now, are there any others where ADT has taken over the protection of a premises with central station protection service, and your system was removed from the period 1958 to date?

A. I don't know of any, no.

Q. Does your company do any type of protection serv-

ice having to do with the supervision or supervisory serv-
[fol. 8436] ice on automatic sprinkler systems?

A. I do not believe so.

Q. Do you know, sir, whether or not the Police Department of Minneapolis allows intrusion alarms to be connected to the Police Department?

A. I do not know.

Q. Do you know whether or not the Fire Department of the City of Minneapolis allows fire alarm systems to be connected to the Fire Department?

A. No.

Q. What would be the situation in St. Paul?

A. I don't know.

Q. Mr. Laxson, does your company, the Minneapolis Honeywell Company, sell any of the protection or detection devices that it manufactures to alarm companies who are engaged in the installation, maintenance and servicing of alarm systems?

A. They have not, to date.

Q. And how long have you been manufacturing those protection and detecting devices?

A. The present line has been built up over the last five years and some of those items have been re-engineered, been improved, etc., and some of the devices have been in the last two years.

Q. But to your knowledge none of them have ever been sold to any protection companies who are engaged in the [fol. 8437] installation, maintenance and servicing of alarm systems?

A. That is correct, and the reason, to date, has been that many of these are new items. They have been a bit complicated, their application has been difficult, and we felt that we had to know more about their use and be further along in the reliability of the product before we did anything of that type.

Q. But some of these devices that we have just discussed here have been approved by the Underwriters Laboratory?

A. Yes. Some of them are still, although approved from that standpoint, are still a little bit tricky in use, and do need good engineering and installation in order to work satisfactorily.

Q. Now, sir, as I understood your direct testimony, and

correct me if I am wrong, when the Minneapolis Honeywell Company installs these alarm systems, does the subscriber obtain title to those alarm systems, or is the title retained by the Minneapolis Honeywell Company?

A. They are all sold outright.

Q. In the event that your service contracts that you have on those systems where you have service contracts are terminated, do you remove any of the equipment from the premises of the subscriber?

A. The equipment is entirely the property of the subscriber, or the subscriber is the wrong word there.

[fol. 8438] Q. Well, what would be a proper word, sir?

A. Purchaser.

* * * * * * *

[fol. 8438a] IN UNITED STATES DISTRICT COURT

DEFENDANT'S EXHIBIT W40a

3422-17

U.S.A.

vs.

GRINNEL CORP. et al., WILLIAM BAGGETT, (MOSSIE BURGLAR ALARM CO., KANSAS CITY, Mo.

MINUTES OF DEPOSITION

[fol. 8438b] Appearances:
(Continued)

For the Defendants American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware:

Messrs. Bleakley, Platt, Schmidt, Hart & Fritz, 120 Broadway, New York, New York, By Mr. Frank A. Fritz, Jr.

For the Defendant Grinnel Corporation:

No appearance.

WILLIAM BAGGETT

By Mr. Fritz:

Q. Would you please state your full name and home address?

A. William Baggett, 2828 Collin, Independence, Missouri.

Q. Mr. Baggett, you are connected with the Mossie Burglar Alarm Company, are you not?

A. That is true.

Q. And also with the Mossie Electric Protection Company?

A. They are the same company.

Q. Is that a corporation or is it a partnership?

A. A partnership.

[fol. 8438c] Q. These are trade names?

A. Yes.

Q. Mossie Burglar Alarm and Mossie Electric Protection Company?

A. Yes.

Q. Is there any particular reason for the use of two names by your organization?

A. No, it was called Mossie Alarm Company for years and years before my partner and I bought this business from my stepfather, and we attempted to call it the Mossie Electric Protection Company but it seemed so many people kept referring to it as Mossie Alarm so it seemed to be a losing battle all of the way. There is no reason monetarily or any other reason why it would be called one or the other.

Q. But it is a partnership and you have one partner?

A. That is true.

Q. His name?

A. Tom Giblin. That is G-i-b-l-i-n.

Q. When did you form that partnership?

A. In June of 1955.

Q. Prior to that time were you affiliated with the Mossie Alarm Company?

A. I was an employee of such company.

Q. For how long?

A. For nine years.

[fol. 8438d] Q. Was it at the time that you formed the partnership that you acquired ownership of the company?

A. Yes.

Q. Would you describe in a general way the nature of the business carried on by your partnership?

A. At the present time or at the time we formed the partnership, sir, which do you want?

Q. We will take first the time when the partnership was formed.

A. At the time this partnership was formed the business carried on was strictly on a local alarm level. We had no central station accounts whatever. My stepfather never engaged in that type of business.

Q. Were these local burglar alarms?

A. Yes, no fire alarms whatever.

Q. Did the company provide any direct connected or remote station service?

A. No.

Q. Any proprietary type service?

A. No.

Q. Did it sell the equipment outright?

A. Before that time mostly, yes, he did. Of course, we have since changed that policy completely.

Q. Did your stepfather, when he was the owner of the business, engage in any manufacturing or assembling of alarm devices?

A. On a very small scale. Actually what he put together himself could have been purchased cheaper than what he [fol. 8438e] had been doing it for. He had this idea in his mind to do it.

Who can argue with the boss?

Q. How many employees were there back in 1955?

A. There was just him and I was all there was.

Q. Where was the office or place of business?

A. At the same place it is now.

Q. Where is that?

A. 3107 East Ninth Street in Kansas City, Missouri.

Q. Have you described now in a fairly full way the nature of the business carried on when you acquired it?

A. Yes, sir. Very much so.

Q. I gather there has been some change in the type of business carried on?

A. Yes, correct.

Q. Would you tell us about that?

A. We are now engaged in central station protection on a burglar alarm capacity only. We have only one water flow supervisory account. And it is actually, we don't actually call it a separate account because it is tied into a loop circuit burglar alarm system.

Q. You actually have a sprinkler supervisory device tied in on the same line with burglar alarm?

A. In this one instance we do. That is the only one we have. This man requested that he would want some sort of protection in case his sprinkler would throw, I [fol. 8438f] mean the water would blow a head or something. It is not, it is not complete sprinkler supervisory.

It is for water flow only. So, therefore, inasmuch as we have a loop circuit type——

Q. By "loop circuit" would you have a McCulloh circuit?

A. Do you want me to refer to it as McCulloh? I will.

Q. Excuse me a moment. Could we be sure only one of us is talking at the same time. I think we cause a little bit of difficulty for the reporter.

A. I am sorry.

Q. Do I understand that that is a McCulloh type circuit? You referred to it as a loop circuit, and there are coded transmitters on that circuit, are there?

A. Yes.

Q. And the remainder of your accounts are all burglar or holdup alarm accounts?

A. Yes.

Q. Do you provide any other types of service?

A. We have local burglar alarm systems, of course.

Q. Remote station or direct connected?

A. I am not clear as to what you mean. Would you define that a little more, sir?

Q. By the terms "direct connected" or "remote station service", I am referring to that service where a system is installed in a subscriber's premises and that system is connected directly to either Police or Fire Department [fol. 8438g] Headquarters by means of a leased line from the telephone company, so that alarms are received on a panel in Headquarters?

A. In Kansas City, Missouri we have none such type alarm systems.

Q. Do you have any in any other places?

A. We have some installed in Manhattan, Kansas. Oh, let's see, Springfield, Missouri. Waterloo, Iowa. Ottawa, Kansas. Garnett, Kansas. I would say that that is all of them we have. However, these are strictly an outright sale, Mr. Fritz. See what I mean, they are nothing we really have any connection to at all.

Q. You don't have a service contract?

A. No, sir, we don't. They pretty much take care of themselves, I mean the subscribers, inasmuch as the distance such as it is.

* * * * * * *

[fol. 8438h] Q. Do you have with you the contract forms that you presently use?

A. I only have one but you are sure welcome to see it.

Mr. Fritz: Could we have this marked as Defendants' Exhibit A for identification?

(Document, handed to the reporter, was marked for identification, "Defendants' Exhibit A, 7-17-62, M.L.")

* * * * * * *

[fol. 8438i] Q. Is this the only type contract that is currently in use by your company?

A. Yes.

Q. Do you regularly retain title to the equipment installed by you on the premises of a subscriber?

A. Yes.

Q. What is the customary contract period?

A. Anywhere from one to five years.

Q. What is the term most frequently used?

A. About two years.

Q. If the subscriber expresses no preference but leaves it to you, what contract do you——

A. Two years.

Q. In the event that the contract expires and is not renewed or in the event it is terminated, do you remove the equipment installed in subscriber's premises?

A. Yes.

Q. I notice that the contract calls for a payment upon [fol. 8438j] the signing and also a payment upon the completion of the installation and then in addition a monthly charge. Would you tell me how you compute the charges made on the signing and on the completion of the installation?

A. This issue of money on the signing and on the completion, I will tell you. We haven't gotten any money on the signing of a contract for five years. It seems that nowadays everything is on a time payment basis. Because of your clients' actions in that field, we have all had to fall in line with the same type of payment, you might say. In other words, I mean, say someone will, say someone, let's say A.D.T. to be explicit about it. They

go into the field and make this estimation. You can pay this thing off in two years, three years. They have strung some of these things out as far as five years in time payments, which we can't possibly afford to do that.

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[fol. 8438k] By Mr. Fritz:

Q. Mr. Baggett, I understand that you are agreeable to providing us with a statement which will show for the years '55 through '61 the total annual revenue of your partnership?

A. Yes.

Q. That this statement will separately list amounts received in the form of installation charges and amounts received by way of monthly service charges, is that right?

A. Yes. I will do anything I can for you, Mr. Fritz. If you ask me to do some of these things, I have no way of determining, you are out of luck.

[fol. 8438l] Q. I understand that. Mr. Baggett, I ask you to tell me what this document is.

A. This is an account of our monthly revenue broken down in two categories, one from central station accounts, the other from strictly local alarm accounts with no station hookup whatever.

Mr. Fritz: Would you please mark this as Defendants' Exhibit B for identification?

(Document, handed to the reporter, was marked for identification, "Defendants' Exhibit B, 7-17-62, M.L.")

By Mr. Fritz:

Q. This document, Defendants' Exhibit B, as of what date, Mr. Baggett? I am sorry, I notice that it is July 16, 1962. Would you tell us the number of local alarm accounts you presently have and also the number of central station accounts you presently have?

A. I would say that we have roughly a hundred central station accounts. Our local alarm accounts, that is a little hard——

Q. If you would give me your best estimate, I would be happy.

A. I would say we have 400 local accounts.

Q. Where are those local accounts situated?

A. They are all over the State of Kansas and Missouri and some of them in Iowa. Probably we have more of them than that actually if we had some way of keeping track in years past. A lot of these out of town work—

Q. You do have service contracts with local alarm [fol. 8438m] subscribers, do you not?

A. In Kansas City, Missouri and Kansas City, Kansas or anything that we can provide 24-hour service for, we do, yes.

Q. How many such contracts do you have?

A. This is only an estimate. I can work this up more closely by consulting our records. I would say probably 200 of them that are actively, that are active accounts today that we collect monthly revenue from.

Q. For how long has your revenue continued at the amounts mentioned in Defendants' Exhibit B, Mr. Baggett?

A. Since July 16th of 1962. This is the best we have enjoyed. This is the tops.

Q. Has your revenue been steadily increasing?

A. Yes.

Q. That has been so over the period since you acquired the business?

A. I don't know. I can't say for that length of time if it has actually steadily increased. We have had a pretty good increase in the last two years. How it was before that, I would have to look at the books. There were a couple of years there, I would have traded real easily.

Q. There has been a general upward trend?

A. Yes, in a matter of speaking, yes.

Q. Is that so also of your local alarm revenue?

A. Not especially, no.

[fol. 8438n] Q. Has your local alarm revenue increased over what it was when you acquired the business in '55?

A. There is no question when we acquired the business we had a monthly income of something like $400.00. It is needless to say it is a drastic difference from what we have now.

Q. This document which you have provided for us, and

which is marked Defendants' Exhibit B, sets forth only the service charges you received from central station and local alarm accounts, is that right?

A. This is true.

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[fol. 8438o] Q. Has your central station been approved by fire insurance rating organizations?

A. No.

Q. Has it been approved by Underwriters Laboratories?

A. No.

Q. The equipment which you utilize in your central station and subscribers' premises is approved by Underwriters Laboratories, is it not?

A. Our direct line or private line installations are, yes. Our McCulloh installations are not.

Q. Do you issue Underwriters Laboratories certificates to subscribers to central station service?

A. No.

Q. Have you ever sought to obtain approval by Underwriters Laboratories or any other insurance rating organization?

[fol. 8438p] A. No.

Q. Have you given any thought to that?

A. Yes.

Q. Have you plans for doing it?

A. Yes, sir.

Q. Have you taken any steps toward securing approval?

A. No, the only thing that we have done in that direction now is investigate property to construct a new building. That is the first step. I mean, you must be in a fireproof structure and we don't believe in paying anybody rent so we are going to build our own building for that purpose.

Q. For how long have you operated a central station?

A. Oh, actually since the early part of 1956.

Q. When you commenced central station operations, did you utilize the services of a telephone answering company?

A. Yes, for a short period of time.

Q. Would you tell me how that was done?

A. We had this telephone answering service which prior to that time was doing some phone answering for us. And

we had alarm systems hooked up to them. Let me clarify that, McCulloh systems hooked up to them. We had no private line at that time, which I believe, you are aware, you know these terms now.

Q. As I understand it, a private line is a single leased line from the telephone company connecting the subscriber [fol. 8438q] to either a central station or a telephone switchboard?

A. That's right. I think you have that, yes.

Q. I would like to have you then state also the McCulloh or loop circuit so the record is clear.

A. I said we had McCulloh alarm systems connected in their office, but these McCulloh systems had a bell attached to the alarm system also. In other words, when these, the alarm would be activated or broken into, so to speak, the telephone answering service would receive a signal and a bell would ring on the premises of the subscriber, because we felt that their supervision might not be enough to really depend on it a hundred per cent, so we would hook a bell up to the subscriber or most of them were customers we already had, previous customers, and they wanted some sort of central station service. I think that at the time we moved our operation from there to our present location, we only had a matter of seven or eight customers.

Q. Seven or eight customers?

A. Subscribers.

Q. Or subscribers to that telephone answering service?

A. Burglar alarm subscribers is what I mean.

Q. Did you not have many local alarm customers at that time?

A. Oh, yes.

Q. How many?

A. Oh, boy.

[fol. 8438r] Q. Approximately. Was it in the hundreds?

A. I guess it was, if you include all of the outright customers, you might say, we inherited from my stepfather that went along with the sale of the business.

Q. You set up a central station of your own then after you used the telephone answering service for awhile?

A. Yes.

Q. For how long did you use the telephone answering service?

A. I believe about a year and a half now. Somehow we do have a way of finding that out. I can determine that right to the month. That was pretty close, about a year and a half.

Q. And do I understand that when you then opened your own central station you had about seven or eight central station customers?

A. Yes.

Q. Do you know whether subscribers to your services receive insurance premium discounts?

A. If they do, I am unaware of it.

Q. Do you know whether they are qualified to receive insurance premium discounts by reason of the fact that they have your service?

A. Well, the Underwriters Laboratories say that in order to receive a lower insurance rate by virtue of the fact you have an alarm system, it must be approved by them, by the Underwriters Laboratory. Since we are not [fol. 8438s] approved by the Underwriters Laboratory in the capacity of central station we therefore cannot give anybody an Underwriters Laboratory central station certificate.

Q. You do give Underwriters Laboratories local alarm certificates, do you not?

A. True.

Q. And those certificates qualify customers for insurance premium discounts?

A. Yes.

Q. Do you have any standard price list or schedule?

A. For what, sir?

Q. For either local alarm system or central station service.

A. Pretty much so, yes, sir.

Q. Is that a printed list?

A. No.

Q. Would you tell me what the list consists of?

A. First of all, there is a matter of telephone mileage, telephone wire mileage to be considered. And another thing to be considered is how much trouble do you feel that this account is going to give. In other words, the type of business has something to do with it. For instance, a super market and a drug store will give you

more trouble than a jewelry store. Any business that is engaged in heavy traffic business, such as what I mentioned, are apt to give more trouble. A discount depart- [fol. 8438t] ment store will need more service than other types of business possibly. And with us it is, we have nothing cut and dried by schedule, say, we have to get this much because we have this many units.

Q. You don't have a price per unit?

A. No, we don't. It wouldn't do any good anyway. Nowadays you are always trying to meet some competition. So you can take your price schedules and throw it out the window. You get what you feel you can get and still make a profit.

Q. Is it the fact that the price charged is based on your inspection of the proposed or prospective subscribers premises, you go out and look over the place and consider the number of openings and the likelihood of trouble and then come up with your best estimate as to what a fair price is?

A. Yes.

Q. And that is so both as to local alarm subscribers and central station subscribers?

A. Yes.

Q. How many employees do you have?

A. I will count. We have four other regular employees besides Tom and I. And Tom and I are very active in this business.

Q. Would you tell me the categories into which the various employees are for and what their functions are?

A. We have three board operators and we have one [fol. 8438u] regular installer and I work mostly as an installer with this man. That is our job five days a week. And we take care of trouble during the day. And Tom works on the latter side of the day, keeps care of evening service, and he will call on some accounts in the afternoon, not call on accounts, I don't mean to say that. There may be someone he is trying to sell that he will go see.

Q. Does he do all of the sales work?

A. He does most of it, yes.

Q. Do you do some of it?

A. Yes, sir.

Q. Does any other employee do any?

A. No.
Q. Do you have any guards?
A. No.
Q. Or runners?
A. No.
Q. When an alarm is received in your central station, what action is taken?
A. We have a direct phone connection with the Police Department and since they are the ones who are going to get there first anyway. This other employee does some night work for us and Tom takes care of the biggest part of the night service work of having—that is why he works later in the day.
[fol. 8438v] Q. Do I gather that when an alarm is received, no one from your central station responds to the alarm, that the response——
A. You said one of us should talk or the other. You go ahead and I will try to figure out what you want to say.
Q. Would you tell me whether when the alarm is received at your central station someone from your company goes to the subscriber's premises?
A. Let's put it this way. Someone connected with our company does go there, yes.
Q. Who would that be?
A. Tom or Ray. They are the ones that take care of that. I do none of that any more.
Q. Are they armed?
A. Yes. That is strictly for their own protection. We are not policemen and we make no pretense of being so. You might be left somewhere for several hours trying to find the trouble or repairing something and you need some means of protection.
Q. Have you told me now about the functions of each of your employees?
A. Yes, sir.
Q. Where do you secure the equipment that is installed in the subscriber's premises?
A. From Potter in St. Louis.
[fol. 8438w] Q. Is that your sole source of supply?
A. Of central station equipment it is, yes.
Q. Are you referring now to the equipment installed in

your central station building as well as in your subscriber's premises?

A. Yes, any equipment that is pertinent only to central station operation is purchased from Potter.

Q. Where do you buy your other equipment from?

A. From Ademco in New York. That is our largest supplier of contacts and devices.

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[fol. 8438x] Q. Have you had any trouble in getting the equipment that you needed?

A. No, not particularly.

Q. There are many other suppliers of equipment throughout the country other than the two you have mentioned, are there not?

A. We have made inquiries, Mr. Fritz, into the availability of central station equipment from some other supplier. And it seems that it pretty much runs into a dead end. As I notice from the Underwriters listing there are other manufacturers of this equipment, but by and large Potter is the only one that makes it for sale to the open market, so to speak. The rest of the people [fol. 8438y] are making it for their own personal use.

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[fol. 8438z] A. We haven't operated at too much of a loss. We didn't have the money to lose. We were just making a living and scratching it out and that was it. I say this, not that possibly we couldn't have made more if we wanted to pursue this business in another direction, but this is the direction we chose. In order to do that, [fol. 8438aa] you are going to have to settle for less until you can get enough accounts to pay for some of these things.

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[fol. 8438bb] Q. Can you tell me what companies you regard as competitors of yours?

A. Every company that is engaged in business in Kansas City is a competitor of ours. Do you want them specifically?

Q. If you would.

A. American District Telegraph, Damon Alarm Company. There is this new fellow that has come in, Tom Smith of Alarm Engineering Company. There is a fellow that is in the business, so to speak, in town that probably none of us regard as competition, if that would change that statement previously. I mean it is this fellow with, what [fol. 8438cc] does he call himself? What is the other one, Alarm Systems, Inc., he calls himself, Callaghan.

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[fol. 8438dd] Q. That would be a system where there are detecting devices installed in subscribers' premises and they are connected by wire to a panel or console located also on the subscriber's premises and staffed by subscriber's employees.

A. No, we do not encounter this type of competition.

Q. Do you know whether or not there are companies selling such systems in this area?

A. Not to my knowledge.

Q. Do you know whether Minneapolis-Honeywell does that?

A. Maybe you are right. I think they are around beating the bushes in that field now. I did run across, where was it, they have got a big massive console that they sell. It is way overpriced. I can't recall where I ran into it.

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[fol. 8438ee] Q. Have you ever had a prospective customer refuse to take your service on the ground that he was satisfied with his insurance coverage?

[fol. 8438ff] A. Oh, yes.

Q. Is that a fairly common occurrence?

A. It is not too common, but you will contact the individual and say I have all of the insurance I need, why should I have an alarm? Actually we get a lot of business from insurance companies, that is, a portion of your business is derived from insurance companies requesting that their accounts or their customer get an alarm system because of losses or because they feel that the risk is insecure.

Q. But there are some insured and you have encountered

them who refused an alarm system because they were content with their insurance company?

A. Yes.

Q. All right. Have you since opening your central station made an effort to convert all of your local alarm subscribers to central station service?

A. We talk it up as much as we can.

Q. What percentage of your local alarm subscribers did convert to central station service?

A. Percentage of our existing, of our local alarm, how many of them converted over—I will say this, we have converted probably 25 of our existing customers to central station accounts. What percentage that would be, say it is 10 per cent, 15 per cent, you get a pretty good picture.

Q. Did you find that there were local alarm subscribers [fol. 8438gg] who were satisfied to continue with their local alarms notwithstanding your opinion they should take central station service?

A. Yes.

Q. When you approached new subscribers, we will call them prospective subscribers, do you find it occurs fairly frequently that he will insist on taking a local alarm notwithstanding the fact that you are of the view he ought to have a central station alarm?

A. When you approach a prospective customer, you are approaching one of two types of individual. He either wants a local alarm or he wants a central station alarm. The man that wants central station protection is not in the least interested in a local alarm. However, there are many people who because of financial reason, financial standing, cannot afford central station protection, so they settle for a local. It is not that these people are not interested in central station. They very possible are, but they just don't have the money to afford it or don't think they do, so they don't.

Q. Don't you find there are business establishments which use local alarm systems notwithstanding the fact they could afford central station service?

A. Oh, there very definitely are some, yes.

Q. They just happen to be of the opinion that local [fol. 8438hh] alarms are satisfactory?

A. They seem to think that they might do the job.

Q. You find business establishments of the same type and which have the same protection problems and risks taking on the one hand central station service and on the other hand local alarm service, isn't that so?

A. Oh, I don't know.

Q. Perhaps I can——

A. That is a rather vague question.

Q. You do have, say, jewelry stores as subscribers, do you not?

A. Yes.

Q. Some subscribe to central station service?

A. Yes.

Q. Some of them subscribe to local alarm service?

A. Yes.

Q. Are those establishments generally similar in physical layout or some of them?

A. As far as structure-wise, yes.

Q. How about location?

A. I will tell you, come to think of it, I can only think of one subscriber that we have on central station that is a jewelry store.

Q. Most of your jewelry store subscribers have local alarm systems?

A. Yes.

[fol. 8438ii] Q. They are located——

A. In the outlying districts of town.

Q. Do you have any in the heart of town?

A. That have what?

Q. Local.

A. Oh, by heart of town, yes, Zale's Jewelry.

Q. These local alarm subscribers, these jewelry stores that you say that are in the outlying parts of town, are they in the area that could be served by your central station?

A. Yes.

Q. Do you service any department stores?

A. Well, not any downtown department stores, no.

Q. But you do have department stores?

A. Yes.

Q. Do some of them subscribe to local alarm service?

A. No.

Q. You have no department stores on local alarms?

A. No.

Q. How many receive central station service?

A. The department stores I am thinking of Jubilee City Stores. We have them. They have central station. Say a department store, that takes in a lot of variance, too. When you think of department store you think of a big downtown store. We have no business down in the downtown area to speak of.

[fol. 8438jj] Q. Do you have any industrial establishments as subscribers?

A. No.

Q. No factories?

A. No.

Q. No plants or shops?

A. Say that is engaged in the manufacturing business, so to speak. I know what you mean and I would have to say "no".

Q. Do you render service to any discount stores?

A. Yes.

Q. Appliance stores?

A. Yes.

Q. Do some of them receive local alarm service?

A. Yes.

Q. Do any of them receive central station service?

A. Yes.

Q. Are the local alarm subscribers within the area served by your central station?

A. Yes.

Q. Do they, in your opinion, I am now speaking of the local alarm subscribers and central station subscribers, did they have the same protection problems and are they confronted with the same general types of hazards?

A. Yes, but ordinarily your accounts that will go for central station are accounts with larger inventories. You say appliance stores. There are some appliance stores with [fol. 8438kk] maybe a million dollar inventory and some with maybe a $20,000.00 inventory.

Q. You have some local alarm subscribers with large inventories?

A. Yes.

Q. Do you have some?

A. What do you mean, in other words, it looks like it is a

big store, so to speak. Most of them are on central station if—there are some cases where I know that some of them have real healthy inventories and they have local alarms. The Albert Bell outfit here. They have got big stores and they have nothing but local alarms.

Q. What business are they in?

A. In the appliance business.

Q. How about liquor stores?

A. We have some liquor stores.

Q. What type service do they receive?

A. Some are central stations and some are local. There you go.

Q. Do you sometimes find that you will approach a subscriber seeking to sell them a central station service and find that one of your competitors will sell them a local alarm service?

A. One of our competitors would send—we would sell him a local alarm service if he wanted it. I don't get the meaning of that question.

Q. I am asking whether you can recall any specific [fol. 84381l] instance where you went to a prospective subscriber and suggested he take your central station service and you subsequently learned that he didn't take your service but instead took a local alarm from Damon or Alarms Systems, Inc.?

A. You approach a customer, say that—let's say a man calls you and he wants to find out your charges on installation and service. So you go talk to him and he may be the type that will want to know everything you have to offer and the prices of everything. And there have been cases where they have ended up buying somebody else's local alarm, yes. Ordinarily if he is interested, say if we are called on the deal, we will give him a price for local alarm work, too, but say that we are calling on him, say, just cold, and we are trying to sell him central station service. That is a different situation, because you don't really keep track on who you call on cold. You might stop in and call on this fellow, that fellow. There is no way of knowing.

Q. Have you ever had a subscriber who at one time took central station service and then he moved to a new location and wouldn't take central station but subscribed to local alarm service?

A. No.

Q. Do you know whether you have ever provided local alarm service to a company that previously was taking central station service from one of your competitors?

[fol. 8438mm] A. We have provided local alarm service to someone who previously had central station service with a competitor?

Q. Yes.

A. No.

Q. You don't recall?

A. No. Usually if a man is a central station customer, he will end up being a central station customer with somebody. I have one case now that I can speak of where a fellow just called us yesterday. He said he was having a tough time of it. He wants his central station alarm taken out at the end of the month and wants a local alarm. He has to have some protection. He is having a tough time financially. He can't pay us the monthly service charge.

Q. Generally a subscriber would change over to a different type service only if he moved into a new building or new location?

A. You say a different type of service?

Q. Yes.

A. He will usually stay—quite often if he is moving into a bigger place, he will take central station over a local. But not take a local over central station service. That is to say, if he previously had central station somewhere. In other words, you have usually got two separate types that you are dealing with. You have central station and you have local. They pretty well stay there and local [fol. 8438nn] accounts will get bigger to where they feel they need central station and take it. Ordinarily your central station market will pretty well stay stabilized. We have lost local accounts by putting in central station. But we haven't lost central station accounts by putting in local alarm. That is taking them off of one part of the business and putting it on another.

(Thereupon a short recess was taken.)

By Mr. Fritz:

Q. Do you find the competition has been increasing in this area?

A. Yes.

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[fol. 8438oo] Q. It would be fair to estimate with the expenditure of $20,000.00 or $30,000.00 you could set up an [fol. 8438pp] adequate central station?

A. Equipment-wise, yes.

Q. And then, of course, you would have to engage personnel to operate it?

A. Yes. That is where the rub comes in. Like I say, it is not just the original outlay. But you have got to baby-sit with that thing from then on. That is what starts costing you by the hour, 24 hours a day, clear around the year.

Q. You have encountered A.D.T. in competition, haven't you?

A. Yes.

Q. In some cases you have been the successful bidder?

A. Yes.

Q. And in some cases they have been the successful bidder?

A. Yes.

Q. That is so also with respect to Damon?

A. Yes.

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[fol. 8438qq] Q. Do you feel that you are continuing to get your share of that market?

A. We are probably getting a share of the market that we are able to travel in. There is an area of the market that we cannot. And that area is being solely held down by American District Telegraph up to now.

Q. What market is that?

A. Your approved central station burglary and fire.

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[fol. 8438rr] Q. You get the same type of customers as A.D.T. gets for its approved service, do you not?

A. No.

Q. What is the difference in them?

A. Oh, we can't possibly bid on someone who wants sprinkler service. We could bid on it. But we wouldn't be able to do it honestly, because we can't give the man any discount. We couldn't possibly satisfy the Missouri Inspection Bureau or the K.I.B. either, because we are not approved by them.

Mr. Story: K.I.B., what is that?

The Witness: Kansas Inspection Bureau. So, therefore, we stay completely away from sprinkler business. Why go out and entertain the idea of getting into it when you are not being fair to the customer and you are pretty much beating your head against the wall.

By Mr. Fritz:

Q. You haven't sought to enter that business, have you?

A. No.

Q. Why is that you haven't?

A. For the reason I mention. We are not approved.

Q. Why have you not sought approval?

A. We are going to seek approval when we can afford it. We don't feel we can afford it yet. We are beginning to [fol. 8438ss] make preparations for this eventuality. I mean we are looking for ground now. We will buy a piece of ground today if we can find it in the proper place at a decent price. We are that far along with going into it. We are wanting to go into it and stay in it. We want to build a structure and get into it on that basis.

Q. Do you know of any people that tried to enter the protection field who were prevented from doing it?

A. There have been some come and go here that would come in and stay a short length of time, and then pack their bags and leave.

Q. Do you know whether they were forced to leave?

A. Oh, I don't know. I doubt it. I doubt if anyone——

Q. Just a question of poor management?

A. Possibly, I don't know. I don't think anybody would use any duress to make them leave.

Q. Do you feel that any efforts have been made to restrict your business or the expansion of your business?

A. No, not to my knowledge.

Q. Have you had occasion to speak with any representatives of the government about this case or about the electric protection industry?

A. Yes, twice.

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[fol. 8438tt] Q. What was the nature of your conversation?

A. A general inquiry into the operation of our business, a general estimate of how many customers we had. An inquiry into the nature of our competitive situation with A.D.T.

Q. What did you say about the competitive situation with A.D.T.?

A. That it is very competitive. Do you want me to elaborate on that or is that enough?

Q. Yes, I would like to have you elaborate on it.

A. There are various occasions when we will go out and bid on a job and give a price, and A.D.T. will be called in to bid on the job, Damon, everybody. They will get a price from everybody they can. And see, in our situation, here is the situation that exists. You have a company like A.D.T. that has been in Kansas City for 60 or 70 years and they have built up a tremendous volume of business plus a tremendous prestige, which I can't take it away [fol. 8438uu] from, because they have got it. They give the service. I mean they are a good company service-wise, and this situation exists. Nobody can take it away from them.

Q. As far as you know, its position here is volume of business and its reputation is due to the fact it was here first?

A. Yes.

Q. And it renders a superior type of service?

A. Well, we could let it go that way. Yes, it is all right. Primarily it is because they were here first. And I say that, I mean I think that is the reason for their size. That is the reason for their size clear around the country.

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[fol. 8438vv] Q. A.D.T. was what you might call a pioneer in this business in the area, was it not?

A. They were the pioneers. That is how he got into it. That is a little off of the record. But I think it is the fact they have been here the longest and they have had [fol. 8438ww] a chance to build up this revenue to the point where they can afford to. They can afford to hire two people to do one person's job to guarantee it was done well. I would do the same thing if I had the money to operate that way. You can't get away from the fact they give good service.

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[fol. 8438xx] Q. Have you ever put in a second bid on a job?

A. Yes.

Q. For the purpose of meeting a price which the prospective customer told you was quoted by a competitor?

A. Yes.

Q. Is that a fairly common practice?

A. No, we don't run into it too terribly often. Ordinarily, the normal procedure is they get a price from whoever they want to and they take the bid they want to accept. Every now and then these things get involved into a big brawling affair and everybody keeps coming back and this guy can't make up his mind, so the salesman calls on them and tries to get them to talk to you. I have got a lot better price from so and so. There are times where I have seen some cases of A.D.T.'s written bid on a contract form that they are tendering, this is a price, as a bona fide price. I guess it must be because it is on their contract form.

Q. Have you ever found that Damon submitted a second bid on any job?

A. Yes.

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[fol. 8438yy] Q. Do I gather from your question that you can think of instances where A.D.T., so far as you know, may have put in a second and lower bid, but you did get the job?

A. Yes. This occurred at the Canteen Company, like I say in this instance, I did see their contract form. I saw the price that they had negotiated for. And it was less than ours.

Q. Was that their first bid?

A. No. No, to my knowledge that was their second bid. Their management told me very specifically that they were going to stay away from A.D.T. because they had had some unhappy occurrences with them in other parts of the country. By "unhappy occurrences" I mean some outrageous price increases which they felt were not justified, and they felt that they should stay away from the situation as much as they can in the future.

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[fol. 8438zz] Q. How about Alarm Engineering?

A. He hasn't been in the field too long, and we have been underbid by him in—he has been in here six or seven months now. We have been underbid by him on occasion. We have never gotten involved in anything with him like we have some of the others, but his prices are ordinarily considerably less than ours. I don't know how he is doing it but he is.

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[fol. 8438aaa] Q. Do you have Zale's Jewelry Company as a subscriber?

A. Yes, we do. We have all of their stores except the one located in this particular building. And they have an A.D.T. local alarm there.

Q. How do you account for that?

A. There is a situation of a company that is pretty well spread over this nation. They are pretty well spread over a good part of this country. There are some states they don't operate. They have roughly something like 200 stores. It is a pretty good sized outfit.

Q. How many do they have in the Kansas City area?

A. Six or seven.

Q. Do you have all but one as a subscriber?

A. We have four of them.

Q. And A.D.T. has one?

[fol. 8438bbb] A. Yes.

Q. What kind of service do you render to the four which subscribe to your service?

A. Local alarm service.

Q. Have you ever made an attempt to sell central station service to those jewelry stores?

A. Yes, we have.

Q. There are other jewelry stores in town quite like those that do take central station service?

A. Yes. But there is a situation——

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[fol. 8438ccc] Q. Cricket West?

A. Yes, Cricket West, yes. On the Plaza.

Q. What is that.

A. Oh, it is a very exclusive ladies' ready-to-wear shop, so I gather.

Q. You say "down on the Plaza", does that mean in the heart of the city?

A. I guess you would call it the uptown part of Kansas City.

Q. Do they subscribe to your service?

A. Yes.

Q. What type of service?

A. Another local outright sales.

Q. Do you provide central station in that area?

A. Yes.

Q. Do you say that is an exclusive ladies' clothing store?

A. Yes.

Q. Would you assume it has a high inventory?

A. I dare say so, yes.

[fol. 8438ddd] Q. Have you ever attempted to convert that subscriber to central station service?

A. Yes.

Q. Unsuccessfully?

A. Yes.

Mr. Fritz: That is all I have on direct.

Cross-examination:

By Mr. Story:

Q. Mr. Baggett, some of these jewelry stores that we have been talking about, are some of those stores small stores in inventory, I mean as far as you would know?

Mr. Fritz: I object to the form on the grounds that "small" is too relative and vague.

Mr. Story: Strike the question.

By Mr. Story:

Q. Are there differences in sizes of the jewelry stores here in the Greater Kansas City area?

A. Yes, very definitely.

Q. Based on your estimate of inventories, what range would you say they would fall in?

Mr. Fritz: I object to that. I don't think that this witness who has been in the alarm business is competent to give an opinion as to inventory of jewelry stores.

By Mr. Story:

Q. Would you have any idea?

A. As far as inventory, I am actually unable to render an honest answer, being completely unequipped to do so.

[fol. 8438eee] Q. But there are some jewelry stores that you consider large jewelry stores and some you consider small jewelry stores here in this area?

A. In my consideration, yes, what I would classify as a large jewelry store, let's put it this way so we can get on with this. You walk into a store and if you see a wide selection of many lines of merchandise, then you would in your own mind say that is a large jewelry store, you are not going to say that—it is a good sized jewelry store, whereas maybe you have the corner jewelry store out here in Waldo or somewhere, he has a small storeroom and some homemade counters and a few watches and a couple of rings and some clocks. You would classify him as a small jewelry operator.

Q. Would that same thing be true, sir, as far as grocery stores, drug stores, clothing stores and so forth, be true?

A. Yes, you have these categories in almost every type of retail business.

Q. Would you say that the protection requirements would be the same for a very small store of any kind as distinguished from a larger store of the same line?

A. No, I would say generally that this is not the case, that there is very definitely a difference in what, say, people like us, the insurance companies, or the customers themselves would feel is adequate protection. I very [fol. 8438fff] definitely believe that a larger risk, insurance-wise, inventory-wise, I think that it should have better protection than a relatively small amount of inventory where the risk is somewhat smaller.

Q. You mentioned a moment ago that Zale's Jewelry Store, you wanted to explain how you received or how you were connected with that account. Would you tell us about it?

A. About four years ago the Zale's Jewelry Company, their main office being in Dallas, Texas, called us on the phone, that is their area supervisor, Mr. Bob Mothner, called us on the phone and requested a meeting with us and gave us the projected program of Zale's in the Kansas City area. And up until that time they had the one store here in Kansas City, which is located right at the bottom floor of this building at 1100 Grand, and they were here for a good number of years, but they come up with this expansion program. Kansas City was growing.

They had a store at Thirty-first and Troost. That was the first store we wired for them. We put an alarm system in their store at the Blue Ridge Mall. We put a system in their store on Minnesota Avenue in Kansas City, Kansas, and now we are in the process of wiring their store in the Ward Parkway Promenade Shopping Center.

This man, Mothner, expressed some great dissatisfaction with A.D.T. inasmuch as he felt their increases [fol. 8438ggg] in prices were completely unjustified. Consequently, it put us in a bad situation even trying to sell them our central station service. We just couldn't break the ice at all, and believe me we have tried. So, consequently we are giving them local alarm service.

* * * * * * *

Q. You mentioned, Mr. Baggett, that at the present time you and your partner are planning and looking forward to the day when you can seek approval for your central station service?

A. That is true.

Q. Why are you seeking that approval?

A. Well, that is because there is a very limited market [fol. 8438hhh] that we are able to approach now being unapproved. But if we can secure approval in the future, the bigger customer comes into our grasp, as well as the so-called small customer does today. By "big customers", I mean customers who require approved sprinkler supervision primarily. And the customers that are requiring, that rather are being required to have approved central station burglary protection. Naturally the amount of risk being involved, the customers are larger which would result in larger service fees to us.

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[fol. 8438iii] By Mr. Story:

Q. I will ask it this way. After these insurance people have inquired as to whether you had approval or not, have you bid on their insured premises?

A. Well, ordinarily it works this way. You see, a lot of these insurance companies or agents will act as a go-between between us and the customer. Say the customer doesn't want to be bothered with people like us, he would rather have the insurance men bring us out and look it over. He feels as long as the insurance company is satisfied he is real satisfied, so as long as this is the case, many times this occurs, the insurance people act as our guide, you see.

They usually know what they want, whether they want central station, whether it must be an approved central station, non-approved, whether they want local alarm approved or non-approved. I want to go through this [fol. 8438jjj] in stages so that nothing is left unclarified. So the agent will usually call us and say, "What kind of service do you have?" and we will tell him. He will say, "You have an approved central station?" "No, we don't." "Well, do you have an approved local alarm?" "Well,

yes, we do." There are cases where they will ask for an approved central station alarm system. We don't know for what customer this is for because they are trying to find out what we have. So to say whether we have lost this business as to whether we are not approved, sir, I cannot really say. I will put it this way, we have never bid on any central station protection work that was required to be approved.

So actually what it does, it limits the accounts that we can call upon. I think that is the thing you are trying to clear up, isn't it?

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[fol. 8438kkk] Q. Mr. Baggett, does your company make [fol. 8438lli] any profit on its installation charges?

A. No.

Q. Do you get out of an installation charge what it cost your company to make that installation of an alarm system?

A. I will interpret that as meaning what our total cost of installation is, is that correct?

Q. That's right.

A. No, we don't.

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[fol. 8438mmm] Q. Mr. Baggett, do you have any central station protection subscribers on your central station board in the State of Missouri connected to alarm systems in the State of Kansas?

A. Yes.

Q. Would you tell us how many subscribers you have which you service out of your central station in Missouri over in Kansas?

A. Oh, probably a half a dozen.

Q. Would you tell us approximately how much revenue from service charges you received in the last year from those accounts in Kansas which are serviced from Missouri?

A. Using an assumption of a half dozen accounts, we don't have many more than that I don't think. I am trying to picture them in my mind here, giving a round

figure of $25.00 a month, that would be about $1,800.00 a year, right? $150.00 a month.

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[fol. 8438nnn] Q. Could you tell me who some of your more prominent subscribers are?

A. We have the Parkview Drug Stores.

Q. Is that a large chain?

A. Yes. The Jubilee City Department Stores.

Q. Is that a large chain?

A. Yes. Canteen Company is a large concern. We have had alarms in the past with the A&P Food Company. We have none with them now. They are moving a lot of their stores out of the neighborhoods we had protection with them, trying to get out of the more risky neighborhood and into some other. As far as big business is concerned, we don't have a lot of big business as customers.

[fol. 8438ooo] Q. Did you provide local alarms or central station service to those you just mentioned?

A. It is a mixture of both.

Q. Some of each?

A. Yes.

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[fol. 8438ppp] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W41A

3422-17

U. S. A.

vs.

GRINNELL CORP. etal, OLIVER T. JAY, NOTIFIER CORPORATION, LINCOLN, NEBRASKA

MINUTES OF DEPOSITION

For Defendants

[fol. 8438qqq] Q. May we have your full name, Mr. Joy?
A. Oliver Tyrrell Joy.
Q. And your home address?
A. 3443 L Street.
Q. Lincoln?
A. Lincoln, Nebraska.
Q. Are you connected with the Notifier Corporation, sir?
A. Correct, I'm President of the company, the corporation.
Q. Do you hold any other office in the company, sir?
A. Chairman of the Board of Directors.
Q. What is the address of the Notifier Corporation?
A. 3700 North 56th Street, Lincoln, Nebraska.
Q. Are you also connected with a company called Notifier Engineering, Inc.?
A. This is a, this is a two corporation, Notifier Corporation, which is the holding corporation, and [fol. 8438rrr] Notifier Engineering, which actually has to do primarily with installations and maintenance in this immediate area.
Q. It operates out of the same address?
A. Yes.
Q. Does it have the same officers?
A. Yes.
Q. What is the business of the Notifier Corporation?

A. We are a manufacturer of all fire protection devices and security devices.

Q. How long has the Notifier Corporation been engaged in this business?

A. Under the name of Notifier or under the name of the business?

Q. First under the name of the Notifier.

A. I think it was 1956 we were incorporated, I could be wrong one year.

Q. And what was the name of the company before that time?

A. Notifier Manufacturing Company.

Q. And how long was that business in existence?

A. We started in 1949.

Q. And was it substantially the same as it was in the beginning?

A. No, sir.

Q. What was the difference?

[fol. 8438sss] A. We started out as a service and installation company operating only in the state of Nebraska and making some of our equipment outside, and actually before Notifier Corporation was organized we worked ourselves into the manufacturing company, having the service on the side, so actually this is the difference.

Q. So the change took place approximately 1956, 1957?

A. Yes.

Q. Is the Notifier Corporation engaged today in the servicing business?

A. No, except in this immediate area which is sort of our proving ground, and that's an area, oh, eastward up to Omaha, north to South Dakota, south to Kansas, and about a hundred miles west, just this area here, that's the only place where we service and install.

Q. Does Notifier Corporation today sell fire alarm equipment to buyers?

A. Yes—what do you mean by buyers?

Q. Do you sell it to dealers?

A. We sell it to dealers, actually we'll sell it to anyone. We sell a great, a large amount of our equipment now goes to electrical contractors, they would be sold through our dealers or through our representatives, but it goes directly to contractors installations on jobs.

Q. Do you have franchise dealers throughout the country?

[fol. 8438ttt] A. We do.

Q. Approximately how many do you have, sir?

A. Good or bad ones?

Q. Well, let's take all of them first, and we'll get the quality later.

A. We have around two hundred that we claim as dealers.

Q. All right, now how many of those are active dealers?

A. I'd say about half of them are what we call active.

Q. And the others?

A. The others sporadic, others come and go.

Q. Of your active dealers are these generally well distributed throughout the United States?

A. Our weakest representation is in the east.

Q. In the east?

A. In the east, yes, east and southeast. We haven't been able to get a foothold there very much, in the bigger cities it has been rougher for us to get in.

Q. Could you give us in a little more detail the area that you call east and southeast?

A. I call east, east of Detroit.

Q. And south as far south as you can go?

A. South as far as the bottom, to Florida.

Q. Is the converse true then that west of Detroit you have more activity?

A. This is correct.

[fol. 8438uuu] Q. All the way out to the coast?

A. This is correct.

Q. Does that include the southwest also?

A. Yes, except for Texas.

Q. Now what type of equipment does your company manufacture, in general terms?

A. In general terms we manufacture automatic fire protection control panels, devices, of all types.

Q. Do you manufacture water flow switches?

A. Yes, we do.

Q. Do you manufacture manual fire alarm boxes?

A. We do.

Q. Do you manufacture any type of automatic fire alarm system?

A. We do, thermostats and everything that we sell in our fire alarm control panel, and everything is made and designed in Lincoln.

Q. Are all these devices listed by Underwriters Laboratories, Inc.?

A. Yes, I say that, we have one or two panels that we sell, oh, for trailers and things like that, that are very cheap, everything else is Underwriter listed.

Q. Does your firm also manufacture devices designed to detect and sound an alarm against intrusion or burglary?

A. We are getting into that, our first installation of [fol. 8438vvv] that is in Sheldon Memorial Art Gallery here, we are getting into this field very rapidly.

Q. And are you manufacturing your own devices?

A. This is correct.

Q. Would you describe to us, sir, how your franchise dealer system operates?

A. We have, oh, we have a three-way set up, we have franchise dealers, these dealers purchase from Notifier at dealer prices, they sell, install and service equipment on their own. Our only function to them is to manufacture, and in case of troubles or difficulties our engineering staff will help them out of their troubles.

Aside from that we have no, we have no interest in what they put in or how they do it except we try to guide them in good installations.

Q. Now does the, does Notifier itself, Notifier Corporation, engage in the installation and servicing of alarm systems?

A. We do not expect in this immediate factory area, as I have designated before.

Q. Now what type of assistance does your engineering staff give to these franchise dealers?

A. A franchise dealer has a chance to bid on jobs, and if they are too complex on them, they don't know what to do, they will send the blueprints in and we'll work up the blueprints and give them the information, and they'll [fol. 8438www] take it from there. If they do take a job, and, as I say, if the job gets in trouble we'll give them information, either free or depending on the circumstances.

Q. In the case where a franchise dealer sends in a set of prints to your home office here do you prepare a cost estimate for the dealer?

A. We prepare his cost estimate, yes.

Q. His cost estimate?

A. Yes; then he marks up as he thinks correct, we suggest, but we can't control.

Q. Does that cost estimate take into account a, the labor that would be necessary to install the system?

A. I would say generally not, because, well, with a dealer we're very careful about doing that because our estimate might be entirely different, we can get them in trouble and they can lose money and they are right back on our neck and we cause them damage, so to a dealer we don't suggest what cost to put in it, we suggest the cost, the number of wires, and so forth, and we suggest the cost, and then he figures out himself what the cost is to put it in.

Q. Do you or does your company have any particular requirements that have to be met in the selection of a franchise dealer?

A. This is a difficult question because I——

[fol. 8438xxx] Q. Let me narrow that down.

A. Yes.

Q. From the technical point of view rather than from anything of a financial matter, I mean, concerning his capabilities.

A. In all fairness to you and to everybody else, let me go back just a little bit to clarify that.

As I say, originally we started as an installing company and selling back in 1949; then in about '52 we got into a somewhat manufacturing and wholesaling, and at that time we sold mostly very small nursing homes, things of this nature, where the jobs were very simple, and we didn't, all we required was a man had a good reputation, we'd usually check with the fire people and that to see if he was the type of person we wanted, we hoped that he had technical ability, he didn't always have. We tried to give him some training if he didn't have, in some cases we even loaned a man to him for a while so that he could pay him wages and give him some training, and I tell you that, that whole background so that you would understand,

and the whole thing has changed to where it's very technical set up, and somebody in the organization should be an electrical engineer, if not they won't be successful, and it isn't a matter only of installing, it's a matter of selling, [fol. 8438yyy] so this is the qualification of the men to the extent that we can do it.

Q. Do these franchise dealers generally engage in other businesses besides acting as dealers for Notifier Equipment?

A. Our better people, let's say, our best producers are a hundred percent Notifier. Many of our people have this along with other lines because otherwise they can't make a living, so it's a matter of necessity for them to do it, and sometime we little by little we wean them away to Notifier.

Q. And when you're talking about the people, you're talking about the half that are the best producers?

A. Approximately a fourth of that, I would guess that, or less.

Q. Oh, that would bring it down to about twenty-five?

A. Twenty-five.

Q. Twenty-five dealers?

A. That are full——

Q. Are these twenty-five dealers located in any particular part of the country or are they spread out fairly well?

A. They are spread out it just happens to the capability of the man.

Q. Do you happen to know the location at the moment?

A. Detroit I have a very good man, he can do no business in Detroit because we can't get any fire [fol. 8438zzz] insurance or anything, but he does his work through architects specifying General Motors, and things like that, that's primarily, General Motors and State jobs. Now this is one man.

We have another organization, we have got San Francisco, we have a very strong organization, this is a sprinkler company, but they have set up a division of Notifier which is wholly Notifier. They both install and sell to contractors.

We have, now you want the ones that are only with Notifier, or do you want the strong dealers?

Q. Your best, your strong dealers.

A. Okay, I'll just think down California as I go, that's the easiest way. In Sacramento we have a good man that does nothing but Notifier; and Los Angeles we got an organization that uses Notifier about fifty percent, they are entirely in the fire alarm business, but they do use other equipment from other companies along with ours, they aren't one hundred percent buying from us.

San Diego, California, we have got a dealer who makes part of his living off of selling fire extinguishers and batteries and things like that in addition to Notifier, although he does maintain a separate organization from Notifier. In Utah we have one organization, it covers two states, [fol. 8438aaaa] they do nothing but fire alarms and they are doing a good job. Reno, Nevada, we have a man that's fairly good in Notifier.

And Phoenix, Arizona, we have a multi-million dollar company that's our dealer, they have many other things, but they have set up a division for Notifier.

In Wyoming, Cheyenne, we have a fairly strong dealer, they are electrical contractors who are also a dealer for us. Colorado, we have a field man in Colorado, and he has a dealer under him and a factory rep who he helps along, giving advice to him, and what-have-you.

Iowa we have one organization out of Des Moines. Omaha we have a very strong dealer, he has no connection with the factory except he buys from us, we don't intrude on his territory and he don't intrude on ours.

South Dakota we have got three dealers. Minneapolis we have got a man who is an engineer and a factory rep. I can keep on going forever, I mean, do you want any more?

Q. Well, let's take a few more so that we can see how much you cover.

A. I'm trying to go from the west to the east is what I'm trying to do. If I had a map it would be easier.

Texas, we are now after many years getting set up, we have got three different organizations in Texas.

Oklahoma we have three organizations, Tulsa, Oklahoma [fol. 8438bbbb] City and Enid.

Arkansas is covered with a man out of Tulsa. Missouri, we have two very strong, very good organizations.

We get on to Iowa, Kansas, we have been in Iowa, and

now Kansas, we have people not too strong. Illinois, we have got a strong organization in Chicago and two others out in the state, three others out in the state.

Where do we go from there, let's see, Ohio, we have got three organizations, I can't think of the names of the towns. Anyhow there's three, actually there's four in Ohio. Detroit, we have got this, or, in Michigan, we have got this one strong man in Detroit who spends his entire time as a factory rep, as I mentioned a minute ago. Then we have got two other sales and service organizations which are very good, one in Grand Rapids and one in Lansing. We have got one that's not too good in Saginaw.

New York State we have got three dealers, they are not too good, but they are dealers up there.

Q. Are they in upstate New York or——

A. One is in Syracuse, one is in Buffalo, one is in Glens Falls, it's right south of Albany, I believe.

Now we go down into Pennsylvania, we have got two people there, one in Pittsburgh, one in Philadelphia. Baltimore, Maryland, Maryland we have got a good [fol. 8438cccc] organization. New Jersey, we have got two fair. Connecticut, we have a good organization. Boston, or, in Boston, Massachusetts, we have got a factory rep that's a good man. Nothing further north. We do a little work in Maine and Vermont, and so forth, but it's scattered. We have one man in Vermont, but he isn't doing too much.

We go south, South Carolina, I don't think we got anyone of any importance. North Carolina, about the same thing. West Virginia, we have got three good organizations. Louisiana, we have got one fairly good man, out of Lafayette.

Florida, we are only represented in the northern part, around Pensacola, we have got a good man; all the rest is open.

Georgia, we have got some sales out of there, but not a great deal. I think that just about covers the United States, I'm trying to remember the map as I go, and it's kind of rough.

Q. I think that's very good.

A. But we're, our strength of potential sales or sales

are in the west, that's what I tried to say, we have tough competition in the east.

Q. Does your sales organization extend up into the northwest, around Washington and Oregon?

[fol. 8438dddd] A. Yes, we have a strong organization in Washington out of Seattle, another strong one in Oregon out of Portland, they cover the state, each one of them, I forgot those two states.

Q. Now these, how do these dealers normally operate, do they sell equipment directly to end users?

A. The dealer as a dealer primarily sells to the end user, installs and services and tries to get a service contract to service the equipment.

Q. Do your dealers have a type of standard service contract?

A. Yes.

Q. Is that something that Notifier Corporation has prepared?

A. We have suggested a prepared, now, some use it and some don't, this is only, what's happened is, they write in and say how shall we charge and how is it done, and we try to, in some localities the figures we give, they'd go broke on, other localities they make good money on, it depends on what the situation is.

Q. In general terms what does the contract provide?

A. It provides for one of two things, either, well, three ways, depending on what the customer desires and the circumstances. One can be a complete servicing of the equipment once a year and subject to call in case of any troubles; another service contract which we recommend is every three months, four times a year, and also [fol. 8438eeee] available for calls at all times and for any service. And the other contract is monthly, which we try to get them to get because we figure that the system should have it.

Q. And is there a fixed or suggested charge for each inspection?

A. There is a suggested charge, but suggested is as far as it goes, we don't know what they are getting, frankly, unless we go out and visit with them.

Q. Now what, assuming one of these service contracts is

entered into by a customer, what does your dealer do at one of these inspections?

A. At the inspection, that entirely, that depends on the basis of the contract. Now in some cases the dealer will go in there and his contract may call for testing every thermostat and every device throughout the system, this is the ultimate in inspection. Many people won't go for that cost, they will usually take two men and they will spend a day or two and it usually runs into a sizable amount of money. In most inspections the inspections are so taken care of that each of the devices or enough of them are taken care of each time that during the twelve months they will all be taken care of, the remote station, receiving panel and faulty condition under all circumstances, and they'll change batteries.

[fol. 8438ffff] Q. Yes. In other words then if a customer does enter into one of these service contracts with your dealer at least once every year his entire system has been gone over thoroughly?

A. That is correct.

Q. And is known to be in working order; what happens if something is found inoperative, is it corrected on the spot?

A. Yes, correction made on the spot, if it, if it's materials it will be charged, but the service is free, and there's even sometimes there if the material loss was due to manufacturing then they can come back to the manufacturer and we will make it good.

For example, our plug-in units on our control panels are guaranteed for five years, and as long as they send in any plug without opening we will replace it free of charge. We suggest that a dealer carry a spare and he can take out the one and slip in another one on the spot.

Q. Now you mentioned a moment ago that your dealers servicing people will make tests on the remote station part of the equipment also?

A. Yes.

Q. Just so the record is clear is this remote station equipment located in something like a, like in a fire headquarters and connected to the premises by telephone [fol. 8438gggg] pairs?

A. This is the ideal, because this way the fire depart-

ment gets the signal immediately, and we, I would say ninety-nine percent of the cases it is in the fire department; now in cases where the fire department refused to have such a panel then the alternative is to go to the police station and answering service, a mortuary, someplace where somebody is on duty twenty-four hours and can respond, and from that place we'll always have a direct line to the fire department.

Q. A direct wire phone?

A. A direct wire phone, yes.

Q. Is it the responsibility of the person who has this alarm system to obtain the telephone lines connecting his——

A. That's the responsibility of our dealer because the customer wouldn't know how to do it. Sometimes if it becomes difficult and the customer has power in the city, then sometimes he helps us to get them, but this is the dealer's obligation.

Q. Your dealers are instructed as to how to go about doing this?

A. Yes; we have this regular information sheet that we send to them in case of this kind you should contact the manager of the telephone company, give him the data [fol. 8438hhhh] on your system and ask for service.

Q. You said a moment ago that these signals, where you have a receiving unit in fire headquarters, the signals go directly there from the premises; is this the most satisfactory system that there is?

A. That's sort of a leading question.

Q. Well are there any systems which are superior to this?

A. This is a matter of opinion too; you're asking sort of a difficult question. You as well as I know that there are two different types of—three means of taking a fire alarm to a fire department. One of them is a direct line with a receiving panel such as our remote control panel; the second is a municipal through a Gamewell or a street box; the other is a direct contact or a connection to a central system, these are the three, and we think that we have superiority over the others. This is a matter of opinion.

Q. What's the basis of your company's feeling that the remote type is the best?

A. We feel only for this reason, that a signal will be transmitted immediately from the premises to central station, there as a rule it comes in on a coded signal, the operator must wait at least two codes to run through which is a few seconds delay, then he must interpret that code, then after interpreting that code then this [fol. 8438iiii] same individual must telephone or send in another code to the fire department, so you have a chance for a human error or a man reversing the figures. Ours go in on a direct light, when two lights go up on the panel, a bell rings, and then it says on the corner of 10th and O there's a fire, and you eliminate the possibility of error, and the second reason is of the speed, there is no delay.

Q. You mentioned a third system, I believe you mean the auxiliary type system?

A. That is correct.

Q. Will you describe the superiority of your remote station as compared to the auxiliary system?

A. Well, it has two phases of superiority, we feel. In the first place, unfortunately the street box system is on a McCullough system where you have several boxes in a line, several boxes on the same pair of wires, so the one could possibly interfere with another while the signal is coming in, which could slow down or hold back a signal for some time or maybe interfere with it.

Primarily we figure that the best is what we have to offer in that it gives any indication of trouble and the alarm, and the other way is to buy two boxes, one to go in for trouble and one to go in for alarm which makes it very very expensive.

[fol. 8438jjjj] Q. Now with respect to Notifier I'm going to use the shorthand, I'm going to refer to it as a Notifier system even though I understand that they are operated by your dealers and sold by your dealers.

A. Yes.

Q. What disposition is made of trouble signals as distinct from alarm signals?

A. Any dealer that sets in a remote station panel in a fire department has the obligation to leave his name and

the name of his service men or anybody else on duty or anybody else that they can get in contact with, the telephone number at the fire department. The minute the trouble signal comes in the dispatcher simply calls this number or these numbers, and this man has the obligation to go out there and get the trouble. In the case of a full alarm, the rig takes off and they advise our man, but the fire department is not involved in trouble signals.

Q. Other than notifying the Notifier representative?

A. Yes. Now in the daytime when anybody is present that same signal will be shown here. In other words if you had a control panel your people here would get two.

Q. When you say "here" you mean on the protected premises?

A. Yes; so you will probably get calls in two places [fol. 8438kkkk] at the same time.

Q. One from the fire department and one from the premises?

A. Yes, from the owner, yes.

Q. Now, Mr. Joy, approximately how many of these remote station connections do your dealers have throughout the country?

A. Connections or total number of customers going to them?

Q. Well, let's take it whichever way you have it.

A. I have it two ways, I have the number of remote stations we have throughout the country, and I have the customers we have on these stations.

Q. Well, let's take it two ways.

A. Well, two classifications, we have a total of 255.

Q. Now these are 255 what?

A. Remote stations in fire departments. Maybe one percent of those might be, or, two percent might be in answering service, most of them are fire departments.

Q. This means that there are 255 fire departments that have your receiving panels in them?

A. That is correct.

Q. Correct.

A. Now this is approximately, there might be ten or fifteen difference, because going through the files we might not have it.

[fol. 8438llll] Q. Now you mean you might have missed a few?

A. That is right.

Q. Okay. Now connected to these 255 fire departments approximately how many customers do you have—and that's a real backward sentence.

A. Yes; 988. Again this could vary a few that we haven't had reports on because some of our dealers don't always report their information to us.

Q. Do you have any way of telling, Mr. Joy, of those 988 customers whether or not any of them have entered into some type of service contract arrangement with your local dealer?

A. You asked whether they have?

Q. Yes.

A. I would say that eighty percent of them probably have, because as a rule it's the only object, not the only object, one of the primary objects, of taking a man to a remote station fire panel is to get immediate notification, and in some cases to get an insurance reduction.

Now to get that insurance reduction we must have the service contract, we must pass the reports in service every three months, reports of inspection; that report goes into the file, and without that we have no reduction.

Let me make a change here, I misinformed you on one thing, the 988 is correct. We have—I have given you [fol. 8438mmmm] 225 panels?

Q. 255, I thought you said.

A. 255; actually there's 374. Now the other 119 which I hadn't mentioned are panels which have been sold directly to fire departments or to companies for their own use.

Q. All right now, what was that last figure?

A. 119.

Q. 119; that these have been sold to fire departments?

A. Fire departments or to companies that have bought a complete system, they themselves have bought the whole system complete, maybe where we don't have a dealer and they themselves maintain it.

Q. I see, now these 255, however, that are located in fire departments, who owns those receiving panels?

A. We own the receiving panel, that's the only thing that we own of anything in the field.

Q. Now when you say "we," you mean your dealer?

A. I mean the Notifier Corporation. Let me explain that, I think I should.

When we first, we were out with the first remote station panel, and we originally sold them, and almost immediately we found troubles with inspection bureau because they figure that once we lose control of that panel then anything could happen to it and we had cases [fol. 8438nnnn] where a dealer would die or maybe the dealer would get mad at us, the panel maybe wasn't working right, and we didn't have the authority to go on the premise to repair the panel, so we actually make a very small lease charge to the dealer, and that's his baby from then on.

Q. And he services it?

A. The only thing we do is make it completely modernized, if there's a new one that comes out we'll trade a new one for the old one, and he just keeps on.

Q. Now you mentioned a moment ago that one of the factors connected with this business is the obtaining of insurance premium reductions?

A. Yes.

Q. Or discounts?

A. Yes.

Q. To customers of, or, people who have obtained this equipment, are they entitled to insurance premium discounts in some areas?

A. Oh, yes.

Q. Where?

A. Practically everywhere in the United States. There are some areas which we haven't even applied for insurance reduction yet because we haven't needed it, I mean, there hasn't been any, we haven't had any business there. [fol. 8438oooo] But normally when we apply there is more or less a set reduction, percentage reduction, which is given for the service, and that is through the inspection bureau of the individual states.

Q. Can you think of any inspection bureaus that have to your knowledge granted insurance reductions for the use of your equipment?

A. Practically every state I mentioned have, in prac-

tically every one of them, I mean, I can name them, but they are practically every state.

Q. In other words the applicable bureau in that state has recognized installations of your equipment for rate reductions?

A. Yes; one string tied to it, that we have complete inspection service.

Q. In other words it's contingent upon a paid service contract?

A. Yes, and a paid fire department.

Q. I think you mentioned a moment ago that of these 988 subscribers who are connected that approximately eighty percent of those have service contracts?

A. At least that many.

Q. At least that many?

A. I'd say almost all of them, not all, but there's a great many would have.

Q. So then that percentage of them would be eligible for [fol. 8438pppp] insurance rate reductions for insurance rate reduction?

A. That's correct.

Q. Now has your company received any type of formal approval from any insurance rating bureau organization?

Mr. Story: Excuse me, what company are we talking about?

Mr. Williams: We are talking about Notifier Corporation.

A. Notifier itself has in Lincoln, and all the rest of them are through our own dealers, we have nothing to do with, and all we have to do is guarantee that all of our equipment is Underwriter specifications, and the rest of the dealers have to convince them that they can give them the service that they desire.

Q. Do you have any formal notification that any of your dealers have received rate reductions from insurance rating bureaus?

A. Yes, practically all of them, because it's very difficult to operate if you don't have that.

Mr. Williams: If we could go off the record.

(Off the record discussion.)

Q. Mr. Joy, I'll show you a typewritten list of cities which bear some handwriting and comments; is that your handwriting comments on there?

A. That's why you can't read it; yes.

[fol. 8438qqqq] Q. I can read them, but I may not understand them completely. This was a list that was furnished to you by Mr. Story sometime prior to today?

A. Yes, or the day before, I don't know when it was, when we visited out there.

Q. In response to a request by him did you mark the list in a certain way?

A. Yes, what I do, make a code zero, an "X" and line.

Q. What does the "X" mean?

A. The "X" means that areas where we have tried, made every endeavor to get fire station panels and not been able to get in the department.

"O" is that we don't know the status, we have tried, it's towns where we have not operated enough to run smack up against it.

The line in most stations, in fire stations, this is the most places where we do have them; "A" are places where we don't even operate, "O" and "A" would be overlapping, we don't know the status in each case.

Mr. Williams: Mr. Reporter, would you mark this document as Defendant's Exhibit A for identification in connection with this deposition, please?

(Defendant's Exhibit A marked for identification by the reporter.)

[fol. 8438rrrr] Q. Now, Mr. Joy, the cities that are marked "X" it says on here——

A. They are places we can not get our fire station panel in.

Q. Right. Now is it your statement that in each one of these cities your company has or through its dealers made an attempt to obtain permission to install a receiving panel in the fire headquarters?

A. This we understand, yes; and some of this is hearsay back from them, but in some cases we have been very close to it and also know what's happened.

Q. Which of the cities marked with an "X" do you have some knowledge?

A. Do you want me to look at the list?

Q. Yes, surely.

A. Well, Los Angeles, for example, we just, it's a known fact you just can't get them in the Los Angeles fire department.

Q. And your local dealer on it there tried?

A. Yes.

Q. Now did he inform you that he tried to get permission to install a receiving panel?

A. Yes; and can not do it. Oakland is the same.

Q. Excuse me, before we leave Los Angeles. Did your local dealer tell you what the reason was, why he was [fol. 8438ssss] refused permission to install this equipment in the local Los Angeles fire department headquarters?

A. I do not remember, there are so many of these things that come and go you just don't bring them. Let me make one statement, and that is in the very big cities it's become very difficult to get them in, in any very large city, and this has to do with, oh, approximately, probably the lack of a desire of the city to have other, more than one or two type in the city.

Q. You mean different types of equipment being present in their headquarters?

A. This is possible, yes.

Q. Why don't you cast your eye down the list looking at these "X" notations and see if you can recall whether you have personal knowledge about it.

A. Well, San Diego, California, personal knowledge, that's several years back. I do know that our dealer tried very much to get in the fire department. They refused him, and, an ADT there had an answering service, so he put the pressure on and they allowed us to put in an answering service, so we do have an answering service in San Diego.

Q. When you say you have an answering service in San Diego, does that mean that you use an answering service that has a direct telephone line to the fire department?

[fol. 8438tttt] A. Yes, that's San Diego.

Q. This means that you have the same facilities available to you that whatever competing company is there?

A. That's right, yes.

Q. Okay.

A. Denver, we have been refused permission.

Q. Do you have——

A. I was personally there, I was visiting Denver at the time and went out with the man and talked with the fire chief, and he just would not accept a remote station panel, that's all. This is about as much as I know about it.

Q. This is approximately when, sir?

A. Oh, approximately four or five years ago, at least three.

Q. Would you go on?

A. Chicago, well, it's just a known fact you can't put it in there, and this probably is partly due to the fact that there are probably several active central stations in the city who are taking care of much of this service.

Q. Did you attempt to though to place equipment there?

A. Yes, that's right.

Rockford, Illinois, our Iowa man tried, I think it was our Iowa man tried to get a panel in, and it was refused, that's all. We have been trying this for many [fol. 8438uuuu] years and they won't set it. I believe the Rockford, the Tri-Cities are serviced by——

Q. I think you're talking of different cities, I think you're thinking of Rock Island, and not Rockford.

A. Yes, I think that's with Moline——

Q. Which ones are you talking about?

A. Let's talk about Rockford, and they did refuse permission there, that's about all I know about it. Now Indianapolis, Indiana, we were refused permission, and as in San Diego we made a tie up with the burglar alarm central station and that's where we are——

Q. Is that the American Alarm Company?

A. Yes.

Q. Let's just digress for a moment on that; how does this operate now?

A. This operates, we have set our own remote station and receiving panel in the American offices, and they receive the signals the same as they do their own, and then they have a direct telephone with the fire department.

Q. In effect your remote equipment is operating as a direct service?

A. Yes.

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[fol. 8438vvvv] Q. What is the next city?

A. Louisville, Kentucky, we have been refused permission there.

Q. All of these refusals, I take it, have been made by somebody in authority in the city?

A. This is usually the fire chief, now the fire chief that originally refused permission, he's now the State Fire Marshal, but he's the one that refused, I know that personally.

New Orleans, I know that we have been refused, but better let that ride because I don't know the circumstances.

And Baltimore, Maryland, the same thing, I don't know the circumstances.

Boston, I know that, again we are getting some of these I don't know the circumstances, I better not commit myself on. Springfield, Massachusetts, or, Worcester.

[fol. 8438wwww] Detroit, Michigan, Detroit we have been refused several times.

Q. Do you have some knowledge about Detroit?

A. No, I know that it, that at Detroit we have been able to bring a proprietary in by direct line telephone. They have accepted that, but this was because the customer was General Motors. I think they couldn't refuse them, but they wouldn't let us bring a panel in.

Flint, Michigan, we have been refused, and all I know is our man has written me several times he's tried to get in and he's tried to get in, and they haven't let him come in.

Grand Rapids, Michigan, we were allowed to go in in 1955, or, '56, I don't know exactly when, we hooked up three pay customers to the fire station receiving panel, and then suddenly they resurrected an agreement made between Grand Rapids and ADT that the city, this was the story I got, the city received a certain percentage of the money that ADT made on the central station, therefore, everybody else is prohibited from coming in on this type of a deal. So we have been setting here for years

with three customers and we have never been able to hook it up.

Q. Were you shown a copy of that agreement, sir?

A. I don't know, I don't remember. I think I read the [fol. 8438xxxx] agreement, but I wouldn't swear to it.

Q. Do you know whether the agreement prohibited any other company from operating a central station in that city?

A. No, no, I do not think that it's prohibiting a central station, it's prohibiting anybody but a central station coming in, but this would be available in the files of Grand Rapids because that's a public document.

Saginaw, again I know they have refused, I don't know the circumstances. Minneapolis, Minnesota, I know that we were refused there because I was there with my dealer and we have talked to them several times. They said that they would just not take a remote station panel. Saint Paul I do not know.

Kansas City is a unique deal. We were allowed in the fire station panel and several other companies were. Then one of my dealers decided he would start a central station so he pulled us out and put in a central station, and shortly afterwards his partner was shot; another two months he died of a heart attack, and the thing just caved in, and I don't think that Kansas City will allow it to come back in. That's one of the things I don't know, that's one of those circumstances.

Saint Louis, Missouri, we can not, we have tried and we can't get in anywhere. Albuquerque, New Mexico, Albany, New York, Buffalo, New York—New York City, [fol. 8438yyyy] naturally, I mean, it just goes for granted that you can't. Cincinnati, Ohio has refused to let us, or, wait a minute, I'll correct that a minute. Cincinnati we have not tried. I don't know the status right now, I'll just put a zero here.

Cleveland, Ohio, we have never been able to install one. We have a good dealer there and he's never been able to get in. Dayton, Ohio I think we can not, but I, I don't have enough direct knowledge. Oklahoma City, this is a case that is, that has hurt us pretty bad. There was a nursing home ordinance passed in Oklahoma, we

probably sold, Notifier probably sold way over fifty percent of all that were sold in the state.

Q. What did that ordinance provide for?

A. This ordinance provided that every nursing home must have a fire alarm system.

Q. And did it specify that the system had to be connected to some place outside of the premises?

A. No; the state ordinance did not. Then someway the ordinance was changed or it was set in Oklahoma City where they had to have a direct connection, and only ADT were allowed to sell. We got there first, before this ordinance passed we sold several systems in Oklahoma City, and then after that they could not accept, wouldn't accept our fire station panel and we did not [fol. 8438zzzz] sell any more, ADT had an exclusive on it from then on, and so far we have tried even up to the last month or two and we haven't been able to get back in the station.

Portland, Oregon, we have a fire station receiving panel skirting Portland, Oregon, and Portland we can not.

Q. You mean in all the suburbs?

A. Yes, in every suburban fire station, but we can not get into the city, we have tried many many times.

Q. Do you know what those suburbs are, sir?

A. Oh, I could call on the phone and find out, otherwise I would not know.

Q. That won't be necessary.

A. But I have visited and seen a lot of them, but I don't know their names.

Q. Generally surrounding the city?

A. Yes.

Q. Digressing just a moment, is that true in suburbs in other large cities?

A. Yes. This is the only reason we have been able to survive because we can in many cases get out around fifty, seventy-five miles, we can get around Chicago, but the devil of it is, is that we are prohibited in all of the sales in the concentrated areas, and we have a man in the suburbs going over here and then over there for service, and it runs the man ragged and it makes it [fol. 8438aaaaa] rough.

Q. Do your dealers get many of these installations that

are in the close suburbs, just outside of the political limits of the large cities?

A. If we can get our remote stations in we can get quite a few in and we have in some cases.

Q. Let's finish with this list and then I'll come back.

A. We are just about through. Philadelphia we can't get in there, I don't know what the situation is. In Philadelphia we have the Independence Hall, now this is a city or state owned, so it has a direct phone connection to the fire department. They wouldn't, they didn't take our remote station, this is a proprietary station and then they can phone in.

Q. I see.

A. Dallas, Texas, we have been refused, and Fort Worth, Texas we have been refused. We have just had a big sale in Dallas that we turned down the day before yesterday, Montgomery Ward sale, because we could not get in the fire department under any circumstances and ADT would not take our service nor would Smith take our service, so we were just squeezed and we had to give it up and couldn't do it.

Fort Worth is the same way; Houston is the same situation, we tried to get in and can't.

[fol. 8438bbbbb] San Antonio, I'm a little—no, San Antonio we have tried and the same thing, we can't get in, in San Antonio, in fact, we got a sale pending in San Antonio and right now, which will probably be lost this week because we can't get into the fire department.

Now Seattle, Washington, we can not get in the fire department, and there's a peculiar situation there that there's an ordinance passed by the city prohibiting anything, now I don't know whether there's anything, again, this would be on the record, whether there's anything but ADT or whether there's anything but central station, and again this will be on the record, and I believe that ordinance was passed when the ADT manager had been on the council, and he isn't on it any longer, but he is pretty rough for us to fight and we haven't been able to get in.

The World Fair, we had that.

Q. What type of a job was the World Fair?

A. Proprietor.

Q. To protect the complete fairgrounds?

A. To protect the complete fairgrounds with a remote station in the police headquarters with a direct connect to the Seattle fire department.

Q. Were there any other companies bidding on this?

A. The ADT actually the week that we got our contract [fol. 8438ccccc] had a meeting in Utah, oh, I don't know, a propaganda meeting, I'd say, and they made the statement there that they had sold the World Fair, they were that far in they thought they had it, and we finally got it and our trouble was whether we could get our signal in, and this we managed to do.

Madison, Wisconsin, I do not know. Don was probably with me, he was one of our salesmen, and he stated he couldn't, but I don't know why. Milwaukee we can not go into the fire department, and Oshkosh we can't. That's all, that's the list.

Q. All right, now looking at the list, sir, I think, would you count up the number that have a dash and I believe that's the one that shows.

A. This is correct, ten.

Q. And these are cities where you have fire department receiving panels and where there is also, at least, an ADT central station?

A. This is correct.

Q. To go back to something we were on a few moments ago, talking about suburbs of large cities, do you have anything with you that would show whether you have fire department receiving panels in suburbs surrounding large cities in the United States?

A. I could go through this list and probably, I'd have [fol. 8438ddddd] to run through it, I know that we have, but the only way I could do it is go through here and try to pick them out as we go.

Q. Would you try to do that?

A. Lakeland Shopping Center in Denver, that's outside of Denver, a suburb of Denver, we have there. Wyoming Township Dispatch Office in Grand Rapids, that's a suburb of Grand Rapids. Portland, Oregon, District No. 10, you wanted these, District No. 10 has one, District No. 2, District No. 9, District 13, and that's all.

We have one at Barrington, Evanston, Illinois, Forest

Park, we've got one down "unknown," we just know that there's one there, we don't know the status. Lake Forest, Illinois, MacComb, Illinois, North Brook, Illinois, Olney, Illinois, Politen, Illinois, Park Ridge, Illinois, Sheiler Park, Illinois, that's about it.

Q. Okay.

A. It's hard to tell exactly.

Q. Now two items, I think that you mentioned the second item on that list that you were just reading related to the city of Akron, Ohio?

A. Yes.

Q. Yet you have, and I think it indicated that you have a panel of some type installed at Akron, Ohio.

A. I do not know, Akron, I don't think that we have. [fol. 8438eeeee] Q. I think it was the second one that you mentioned on the top of the page.

A. Yes, oh, this is a small, Springfield Township fire department, that's not within the city, that's outside of the city.

Q. A suburb of Akron?

A. This is one of the suburbans.

Q. That is one of the things that I think that you omitted in the beginnings?

A. Yes.

Q. I think, now, you have got somewhere to the city of Portland and you mentioned a number of numbered districts?

A. Yes.

Q. Are those within the city of Portland?

A. I don't know, I do not know, they are independent fire departments, so I don't think that they would be within the city. There are independent fire chiefs for each one of them, so I think that they are independent towns in the vicinity, I think that's what it is.

Q. In other words it's not the Portland Fire Department itself?

A. No, not the Portland Fire Department, no.

Q. And this one in Akron is not the Akron Fire Department?

A. No.

Q. Have you compared this list which you have marked [fol. 8438fffff] up as Exhibit A with the listing that you

just read from to see whether there's any errors on it?

A. No, I have not; but when I went over this I had two or three of my men that knew about the different ones, and we just consulted back and forth about it at the time.

Q. Mr. Joy, what percentage of your company's business would you say is represented by this remote station type of service at the present time?

A. We estimated it today, I think the estimates were a little bit high, but we had several of our people estimating and talk it over at the factory today, and they thought that in 1959 about 25 percent, and up to somewhere near 35 at the present time. Now I think in figuring this they also included probably proprietary, where they would have there own station or go with the direct line.

Mr. Story: Excuse me just a moment. Whose business are we talking about?

The Witness: We're talking about what our dealers are doing, this is getting off the subject actually again, because it, and, let me get another thing too. What we have here is compiled from reports from our dealers which we request that they send in and they don't always [fol. 8438ggggg] send in. In other words we tell every dealer that we send a panel out, will you please advise who and where it was installed and inspected by, and all of them do not come back, and from this list we compile this list here. All we know is that we sell so much merchandise and we estimate, actually it's our dealers that have all of this.

Q. Actually what I just asked though was just the portion of your business that's attributable to this remote station type of service.

A. As I say, our men calculated this today, they figure in 1959 there was about 25 percent, they claim that now it's gone up to around 35 percent total of our business. I personally feel that this is a little bit high. That's our dealers business, and, again, we're talking about another thing which is very difficult, and when I'm talking here I'm talking about wholesale dollar volume of merchandise which we manufacture, their installed costs or their installed ratio might be very much different than ours,

depending on how much labor they put with the equipment that they buy from us. So it's a little bit difficult to know exactly what you're talking about.

Q. The figures that you can give us only relates to money received by Notifier?

[fol. 8438hhhhh] A. Of wholesale merchandise that we have sent out.

Q. Now the amount that the customer is paying is certainly not much less than that?

A. It's certainly going to be more, but we don't know.

Q. What the dealer marks up, or the labor cost?

A. This depends on the locality, the circumstances, the difficulty of installation and many of the things that go along that we don't know.

Q. But it's something that's added to this figure?

A. Oh, yes, the percentage might be very close, the total dollar volume would be much more.

Q. Do you suggest to your dealers what charges should be made for, on service contracts, on these inspection and servicing contracts?

A. As I say, we suggest, yes, and they go from there one way or another.

Q. What are those figures based on?

A. We figure those, and I don't have the figures. Again I can get this for you very quickly, this is based on so much per thermostat tested and controls tested and control panel tested on the job, in other words, we'll suggest that if you test a thermostat you should get so much, and control panel.

Q. It's pretty much based on the type of equipment that's placed on a particular job?

[fol. 8438iiiii] A. This is correct.

Q. And it will vary from job to job because there are differences?

A. And it will vary to cost as on whether the customer agrees to help him or they have to send another man on the job, all these factors come in.

Q. Now your company is also engaged in the furnishing of proprietary type of alarm systems?

A. That is correct.

Q. Does that account for the remaining portion of your

business, the difference between this 25 or 35 percent and the whole?

A. No, it does account for a great deal of it, the other sales we make are direct sales without connects to fire stations and that's probably another ten to fifteen percent at least.

Q. Well, in the past five years, sir, have you received any information from your dealers or has your company come into possession of any information that would tend to show that your company or its dealers while they were offering remote station equipment were running into central station competition?

Mr. Story: I object to the question, calling for the rankest kind of hearsay.

A. It will have to be hearsay, that's right, because [fol. 8438jjjjj] what we have somebody calls up unhappy and we ask him why he's unhappy, and this is what happens.

Q. So your answer is that, yes, this has happened, or, you have been informed that you have had competition from central station companies?

Mr. Story: Object to the form of the question.

Q. You can answer it if you can, Mr. Joy.

Mr. Story: My objection is on the record, you go ahead and answer.

A. Would you repeat your question?

Q. I'll ask the question over with Mr. Story's objection still standing.

In the past five years have you been informed by any of your dealers or anybody in your company that in offering remote station alarm systems you have been in competition with any central station service companies?

A. I would say definitely we are in many cases.

Q. Has this been a consistent pattern in the past five years?

A. Again, you get into something that's a little difficult, because we have been forced out of many of the lucrative areas for this same reason, so that we don't have the competition in many of those, so we can't compete,

and in the outlying areas where many of our [fol. 8438kkkkk] sales are, our competition isn't a severe problem.

Q. On this list that was marked as Exhibit A, I believe there were ten cities that you had marked with a dash?

A. That is correct.

Q. Where you have received the panels and ADT has a central station?

A. Yes.

Q. In these particular cities which are marked with a dash, do you, are you in competition with ADT in the furnishing of some type of electric protective service?

A. Yes, I'd say we are.

Q. Is that true at the present time?

A. Yes.

Q. Has it been true for the last several years?

A. Yes, it's always been true.

Q. For as long as you have been operating in those cities?

A. As long as our dealer has been operating.

* * * * * * *

Q. Mr. Joy, in the ten cities that are marked with a dash, do you have any way of telling us how many remote station premises your dealers have hooked up in those [fol. 8438llllll] cities?

A. I can't give you this information again without calling the office, but we do keep records, you see, our remote station is a modular station or at least our latest ones, the last few years, so that when they hook somebody up they get another plug in with it, and so we keep a pretty close association with that.

* * * * * * *

Q. All right. I think the first city we have is East Saint Louis.

A. Fire station, we have one customer.

Q. Okay, the next one is Fort Wayne, Indiana.

[fol. 8438mmmmm] A. Fort Smith, Arkansas — I think we got one customer there, but I don't—we have, I think

the only thing we've got is Montgomery-Ward store, it might be out of its alphabetical order.

Q. Saint Joseph, Missouri?

A. We have six customers.

Q. Lincoln, Nebraska?

A. Lincoln, Nebraska, we have a total of seventeen.

Q. Omaha?

A. Omaha, Nebraska we have nineteen.

Q. Syracuse, New York?

A. I don't find Syracuse.

Q. Okay.

A. I don't know, we may not have a fire station panel in Syracuse, we have a demonstrator there that we loaned to the fire department, this is just possible that this is incorrect, I'd have to double check this, because I don't find it in this list and it should be.

Q. The next one I have is Toledo, Ohio.

A. One.

Q. Sioux Falls, South Dakota?

A. Eighteen.

Q. All right, Salt Lake City, Utah?

A. South Salt Lake there's eight but there is a Sioux City, Salt Lake City answering service, twenty-two.

[fol. 8438nnnnn] Q. Green Bay, Wisconsin?

Mr. Story: Just a moment, that's an answering service.

The Witness: Yes, about half of these we have had to go to answering service to even be able to operate. I can give you the names of these.

Q. Let's clear it up on cross-examination.

Do you have something for Green Bay, Wisconsin?

A. Green Bay, Wisconsin, one.

Q. Okay. Now you told us a few moments ago that the money that Notifier Corporation got from this type of service varied somewheres between 25 and 35 percent.

A. Of the merchandise that's sold we figured that goes to that service, yes.

Q. Approximately how much money in very round numbers does that involve, that 25 to 35 percent?

A. Oh, between a quarter of a million and $350,000.

Q. This represents money received by Notifier Corporation?

A. By Notifier.

Q. From its dealers?

A. For merchandise which they purchased.

Q. Okay. Has that figure been increasing yearly?

A. This, what I'm giving you on that is our last year's.

Q. Right, and has this been increasing figure in the last [fol. 8438ooooo] four or five years?

A. It's been increasing, yes. We're getting wider coverage which is the reason for our increase, it's the growth of dealers.

. . . . . .

Q. Mr. Joy, I'm referring to Defendant's Exhibit A which is a listing of the cities where the American District Telegraph Company has central stations, and on which you have indicated those cities where you are able to have a, one of your fire alarm panels in the fire department.

Would you take Government Exhibit A and take those cities where you have indicated where you are permitted into the fire department, and tell us whether or not you are actually in the fire department or connected to telephone answering services?

A. Yes. East Saint Louis.

Q. You are in what?

A. We're in the fire department.

Q. Yes, sir.

A. Fort Wayne, Indiana, we are in the fire department. Saint Joe, Missouri, we are in the fire department. [fol. 8438ppppp] Lincoln, Nebraska, we are in the fire department. Omaha, Nebraska, we are in the fire department. This Syracuse, New York, I do not have information on, we better put that as unknown.

Q. Would you so indicate on Defendant's Exhibit A?

A. Yes, not certain, I don't know the circumstances, I thought I did, I'm not certain.

Toledo, Ohio, we're in the fire department. Sioux Falls, South Dakota, we are in the fire department. Salt Lake City we have been forced to set up a double panel in order to operate. We have a fire station receiving panel in the fire department, but in order to operate we had to set up

another office apart from that where we receive all trouble calls and only the fire alarm calls go in to the fire department, that's in Salt Lake City.

Green Bay, Wisconsin, we're in the fire department—wait a minute, correction on that—Green Bay Wisconsin, we're in an answering service, or, we're actually, we're in a, in a taxicab office. They receive the calls and phone it in to the fire department.

Q. So then in Green Bay, Wisconsin you do not go into the fire department?

A. Do not go into the fire department, no.

Q. And your marking of Green Bay, Wisconsin then is [fol. 8438qqqqq] an error on that Defendant's Exhibit A?

A. Yes. What I was taking here as places where we do finally get a signal to the fire department, where we can even get into it, we go into a taxicab office in Green Bay.

Q. And then as I understand it your alarm from your alarm signals go first to a taxicab headquarters?

A. Yes.

Q. And then how does it go from there to the fire department?

A. Then they telephone it.

Q. Do you have a direct telephone line to that?

A. Yes, I'm pretty certain that they have a direct line in, this is my understanding.

Q. So then actually they are not directly connected to the fire department in Green Bay, Wisconsin?

A. No. Now did we have Indianapolis, Indiana here, I put nothing, in Indianapolis we have the same situation, we have an answering service or a psuedo central station, this is right.

Now do you want a correction on this one or not, I've got Sioux City, Iowa, I put down we can't get into the station, we do have thirty customers on the fire station receiving panel, free customers, but not paid customers.

Q. Okay, you have explained that in the record.

[fol. 8438rrrrr] A. Okay, I didn't know whether that would be correct.

Q. Now, Mr. Joy, to make sure that I understand you, does your corporation, Notifier Corporation, or any subsidiary thereof enter into any servicing and maintenance

contracts on any of your remote station alarm systems anyplace in the United States?

(There was no response.)

Q. I mean by that, sir, is the contract between Notifier and a subscriber for service for any alarm systems in the United States that you know?

A. I'm thinking of one case now, I think it was Sioux Falls, where our dealer made the sale, he entered into a service contract but the owner would not accept the dealer as a servicing contractor without the backing of Notifier, so that in case of the man's death somebody would be responsible. Now this has happened there.

We had another case in Washington where the same situation come up, I think I probably consulted with you on that when it happened. A large contract, again I can find the name if you desire, where the company said that they would not work through a dealer unless the company would sign the papers with them as a party to it, so if something happened we would guarantee that the service would be maintained either through ourselves or we would appoint somebody else. As far as I know [fol. 8438ssssss] this is the only place where we are doing this except in this area where we operate.

Q. But your Notifier Engineering Company does enter into service and maintenance contracts here in the Lincoln area?

A. This is correct, this is our business, that's Notifier Engineering's business in Lincoln, in this area.

Q. Would you mind telling us approximately how many contracts for servicing and maintenance of your fire alarm systems that you have here in the Lincoln area where you are operating?

A. I had that a minute ago—Lincoln, Nebraska, we have seventeen.

Q. Do you have any others where you have servicing contracts anywhere in your area that you do service?

A. Besides these?

Q. Besides Lincoln, Nebraska, sir.

A. Yes, we have several remote stations in the towns around here.

Q. That's what I would like to know.

A. Yes.

Q. If you would give me an indication of how many you have, where you have, your corporation, Notifier Corporation or its subsidiary, Notifier Engineering, actually do servicing and maintenance under contract with a [fol. 8438ttttt] subscriber.

A. Well, we do this in this entire area.

Q. Approximately how many?

A. I don't know, again I can compile that very quickly for you if you want it.

Q. I would like to have that.

A. I can call the office and get that.

Mr. Story: Let's take a five minute recess while he's calling.

(Short recess.)

Mr. Story: Mr. Reporter, would you leave a space in the record and we will ask Mr. Joy to insert the total number of contracts that his Notifier Engineering Company has to service and maintain alarm systems in the Lincoln, Nebraska area where his company engages in that type of business.

Q. Mr. Joy, other than the contracts that you have with subscribers as we have just described it on the record what is the primary purpose or function of the Notifier Corporation?

A. The Notifier Corporation's only and prime function is manufacturing.

Q. Manufacturing what, sir?

A. Of fire protection, security equipment, devices and [fol. 8438uuuuu] everything that go into the alarm.

Q. The manufacture and sale of those devices?

A. The manufacture and sale to wholesalers, to dealers or to electrical contractors.

Q. In your direct examination, sir, you indicated that you suggest various price schedules to your dealers; does Notifier Corporation have any control whatsoever over these dealers to the point where it can direct them as to the operation of their business?

A. Unfortunately we have no control, I wish we did, we have no control.

Q. Now other than in the Lincoln, Nebraska area where you do have service and maintenance contracts, is the Notifier Corporation approved by any of the insurance organizations having jurisdiction over the various types of fire protection systems?

A. Actually the whole thing heads up in the inspection bureau, the Nebraska Inspection Bureau.

Q. Is that the only approval that your company has, or the Notifier Corporation?

A. That's the only one we need, we have complete approval by them, well, your State Fire Marshal, we have the approval of every agency here that approves fire alarm systems.

Q. And that's only in the state of Nebraska?

[fol. 8438vvvvv] A. That's correct.

Q. Do you have any approvals from organizations outside of the State of Nebraska, your corporation as such?

A. I would say probably F.I.A., in fact, Mutual, in some way everything drifts back to them, F.I.A. will accept us through the rating bureau, in fact, Mutual accepts us through their own people.

Q. And that's just for your Lincoln, Nebraska operation?

A. This is correct.

Q. Now, sir, you testified that your company sells equipment for the installation of proprietary alarm systems; in what areas of the United States does your company sell such equipment?

A. Anywhere in the United States, I mean, we have got installations scattered in every part of the United States.

Q. Are these installations made by employees of the Notifier Corporation?

A. No.

Q. Who makes your installations, sir?

A. Primarily, or, to the greatest part of this type of systems are installed by electrical contractors working under a prime, and we sell equipment to them.

Q. That's your only function in connection with proprietary alarm systems?

[fol. 8438wwwww] A. That's correct, and in some cases our dealers are strong enough that they'll install the equipment themselves.

Q. Does your organization have any maintenance or service contracts with any of the proprietary alarm systems which are installed with your equipment?

A. We personally?

Q. Yes, your corporation as such.

A. Except in this area I don't know of any.

Q. That's except in the Lincoln area where you are in the service and maintenance business?

A. That's right.

Q. Then outside of the Lincoln, Nebraska area you have no responsibility to the proprietary systems where your equipment is used in the way of servicing or maintaining?

A. The only responsibility we have is to stand behind our equipment and replace it or take care of it in case of troubles.

Q. Is that an equipment warranty, sir?

A. It's an equipment warranty, correct. I think I better add one thing there just to be correct on the record, and that is on the big jobs where maybe our dealers do not have the technical knowledge we'll send an engineer out to make the final hook ups and get things straightened up, this is paid for as a service.

[fol. 8438xxxxx] Q. Who pays your corporation?

A. It will be, for example, say, if there's a bid, twenty thousand dollar bid, there will probably be ten percent of that, or, five percent of it, which will be five thousand dollars for that purpose. If the man has the capability or ability he does it, and if there's no doubt, why then, we might send one of our men, once it's hooked up, we just send a man to see that it's correctly hooked up.

Q. Mr. Joy, I hand you a document which I have prepared which consists of the cities of the United States where the American District Telegraph Company has competition from approved independent central station protective companies.

Mr. Williams: Now I'm going to object to your testimony, if this is a question, let's make it a question, don't testify as to what kind of competition he's got, you're not the witness.

Mr. Story: Very well, your objection is noted, sir.

Q. Have you made any notation on that list?

A. Yes.

Q. When did you make those notations?

A. Yesterday.

[fol. 8438yyyyy] Q. What is the substance of your notations on that list?

A. They are yes or no.

Q. Were you asked yesterday, sir, whether or not your company had furnished equipment for the installation of proprietary systems in those cities?

A. Oh, yes, I remember that now, yes, that was the question.

Q. What notations have you made on Government Exhibit 1?

A. Under Chicago we have "Yes."

Q. Meaning what, sir?

A. Meaning that we made two proprietorship systems, installed, had two proprietary systems installed in that area, outlying Chicago.

Q. And that's during what period, sir?

A. That was during the last two years.

Q. Had you at any time furnished equipment for the installation of proprietary systems in Chicago?

A. In Chicago, never.

Q. Those are the only two systems where your equipment has been used?

A. As far as we know. Again, we come to the situation that in Chicago, I have had two or three people that we have sold to, we have sold considerable equipment, some of those places we don't know where they go, I mean, but these two we know definitely that were installed by our [fol. 8438zzzzz] dealers or by electrical contractors through the dealer.

Q. Now on the list of cities on Government Exhibit 1, what does the "Yes" mean extending out from the city?

A. It means that we have made installations.

Q. Have you noted in the cases where you have made installations the number that you have installed in those cities?

A. Correct.

Q. And that's during what period, sir?

A. Within the last two or three years.

Q. Had you installed in any of those cities prior to that time any proprietary systems?

A. No.

Q. Now, sir, let me ask you this question. In your remote station or auxiliary fire alarm systems which your dealers or your company here in the Lincoln area installs, after a receipt of an alarm in the fire department is it necessary for some employee or craftsman to go to the premises and reset the alarm after the receipt of an alarm system before the system is in operation again?

A. It is.

Q. Who in your own Lincoln area operation goes to the premises for the purposes of resetting the alarm after a signal has been sent to the fire department?

A. We have provided the fire department with a list [fol. 8438aaaaaa] broken down into four segments of the city, and the fire department when they receive an alarm or trouble will look at that list and call whoever is the closest, and that man will take care of it, and these are all trained men out of our factory who can be used for that purpose.

Q. What is the furtherest distance, sir, from Lincoln where you have a panel board in a fire department?

A. Under Notifier control?

Q. Yes, under Notifier control.

A. How far is Hastings—a hundred miles—a hundred miles.

Q. In the event that an alarm is received in the fire department from one of your fire alarm systems in Hastings, who goes to the premises and resets the alarm?

A. We have a local man that gets paid for doing that, he is an electrician who has installed some of our systems and is in a position to take care of that.

Q. Now in connection with your dealers in the various areas, generally over what distance from the home office would these companies install alarm systems which are connected to fire departments?

A. They are, in order to get rate reductions, if I'm not mistaken, they must be within, I believe it's two and a half hours driving time of any place, so normally con- [fol. 8438bbbbbb] sidering your traffic and everything else

probably less than a hundred miles, a hundred miles and less.

Q. Do all of your dealers have sufficient employees who are trained to reset these devices to cover all the alarms that they have in their area within that period of time?

A. I would say that the majority have, otherwise they would not receive the sanction of your inspection bureaus, they have to apply directly to the inspection bureau and indicate to them what they can do and what they are capable of doing, and if they don't meet their requirements they don't get the reductions, this determines it.

Q. Sir, are you familiar with the length of time that the organizations that have jurisdiction over the service for central station reporting to a premise from which an alarm signal has emanated, report to a premise, are they under the same rules as for the remote?

Mr. Williams: I'll object to the form of the question.

A. It's a little, it's confusing for me to answer because it's a little out of our line. I think that in any remote deal that they are under the same jurisdiction that we are for two and a half hours, but on a central station reporting, this I do not know.

[fol. 8438ccccccc] Q. Any area, sir, has your company sought to connect any of its alarm systems to the central stations of the American District Telegraph Company?

A. Yes.

Q. Has your Notifier Corporation as such attempted to do that or was it a franchise dealer?

A. No, it's been just our dealers, we have not, in this area we have not had the necessity of doing it.

Q. Do you know whether or not any of your dealers have been able to connect their systems to the central stations of ADT?

A. They have always been refused. We are on a deal right now at the present time in Dallas, Texas, and, as I say, we are losing the deal because they will not accept our connection.

Q. They, by "they," who do you mean?

A. ADT, well, I say ADT or Smith, there are two central stations in Dallas.

Q. You have attempted to connect to both of those?

A. Both of those, neither one will accept it.

Q. Now, sir, in the Lincoln area where your company enters into servicing and maintenance contracts, does the American District Telegraph Company operate any central stations within that area?

A. Yes, right straight in front.

[fol. 8438dddddd] Q. In Lincoln, Nebraska?

A. At the Western Union office.

Q. Now, sir, could you tell us in the last five years whether or not your company has installed one of its remote station alarm systems in any premises which had previously been protected by ADT central station protection service?

A. You're talking about this area here?

Q. Yes, sir, in Lincoln, and I'm talking about central station.

A. No, we haven't taken them, we haven't removed their service in any place.

Q. You have not replaced any central station protective service in the Lincoln, Nebraska area?

A. No.

Q. And that's during what period of time, sir?

A. Well, since the time we had a remote station, which was 1954 or '55.

Q. Do you know how many central station fire alarm systems ADT has in operation in the city of Lincoln?

A. The number I do not know, that is also, could be obtained from the fire department, I would say there were several hundred.

Q. Several hundred?

A. But I don't know, much of this is sprinkler super-[fol. 8438eeeeee] vision more than fire detection, but this is also our line of work.

Q. And out of the several hundred that ADT has here you have never been able to replace any of their existing protective systems with your direct service?

A. No.

Q. In the Lincoln area, sir, have you sought to obtain any fire alarm accounts where you were refused the permission to bid because you did not have central station protection service?

Mr. Williams: Object to the form of the question.

Mr. Story: Strike the question, that is a pretty bad one.

Q. Have you lost any potential accounts here in the Lincoln, the greater Lincoln, Nebraska, area, because of the fact that you were unable to render approved central station fire alarm protective service?

Mr. Williams: I'll object to the form of the question again.

Q. You may answer that.

A. I would say, yes, right now we are on a deal where the customer wants, Victor, what's the company, Victor Business Forms, are building a big new factory out here, I'm a friend of the president, he wants to give us [fol. 8438ffffff] the business. Unfortunately a central station gives a higher insurance rate reduction for the sprinkler supervision than we do, so we couldn't get the business.

Q. Who told you that, sir?

A. Oh, this, this is information from the inspection bureau, from F.I.A., and from Victor Business, from all three of them, we're still trying to get it but we think it's lost.

Q. Have you talked to the manager or the president of the Victor Business Forms?

A. Yes.

Q. What has he told you concerning that, sir?

A. Well, simply that we, we get a lesser percentage of insurance rate reduction, and it's economically unwise for them to give us the business because they can get a better reduction from ADT, which is pretty logical.

Q. In your direct examination, Mr. Joy, you said that you thought that a fire alarm which is received in the central station, that there was a margin of possible human error in misreading a code and transmitting that to the fire department.

Do you know whether or not these coded alarm systems coming into a central station are automatically retransmitted in code to the fire department?

Mr. Williams: I'll object to the form of the ques-
[fol. 8438ggggggg] tion.

Q. You may answer.

A. From personal experience I do not know; I think that they receive a code and then they, from that end verify it and then send it on in manually. The code wheel, I don't think it's automatic transmission, I think it comes in here and then it's handled manually on retransmittal.

Q. But isn't it a matter of fact that the same code that's emanated from the property comes in and registers in the central station and also the same transmission goes directly to the fire department and is transmitted in code to the central fire department?

A. Yes, that's right.

Q. So that central station operation you have not only the voice reporting but also have a coded message going straight through into the fire department?

A. This is correct.

Q. So in essence from the central station you have two means of reporting that fire alarm to the fire department, one by voice and one by retransmission?

Mr. Williams: I'll object to the form of the question.

Q. Is that correct, sir?

A. It's correct.

[fol. 8438hhhhhh] Q. So from that standpoint your alarm system would not have any advantage over the transmission of an alarm signal from a protected property to a fire department?

A. I disagree with that, because our alarm does not go through any, it goes directly to the fire department over its own pair of lines, it can not go anywhere else, it has to come in and it has to come in correctly, it can not come in otherwise, and it comes in by lights indicating where the protected place is.

Q. Does it come in, in code, sir?

A. It comes in, no, on a direct light and above it you'll have two lights here, you'll have both lights light and the light will say "Gold's Service Center," for example, so there's no chance for a mistake, it's there.

We got 82 plus 19 that we have sold outright to different people, but of ours that we retain ownership to are

82 customers. For example, we sold to the Nebraska State Home for Retarded Children and we have given them their own panel to come to, they bought their own panel so they bring it in themselves in a case of this kind. This is sort of, I guess you would call it, proprietor, so there would be 82.

Q. So the 82 type of contracts that you have mentioned here are the only alarm systems which your company has [fol. 8438iiiiii] with subscribers to service and maintain their system?

A. In this entire area, that's correct.

Q. And this is limited to the Nebraska area?

A. That is correct.

* * * * * * *

IN UNITED STATES DISTRICT COURT
DEFENDANTS' EXHIBIT A TO EXHIBIT W41a

X No cert. get station rate Two Days
O Don't Know station
— Don't station Bus station
A Area where we don't operate

Sacramento, California

...ingham, Alabama	O Evansville, Indiana
...ington Park, California	— Fort Wayne, Indiana
...Angeles, California	X Indianapolis, Indiana
...land, California	O Muncie, Indiana
...Diego, California	O South Bend, Indiana
...Francisco, California	O Terre Haute, Indiana
...Jose, California	X Cedar Rapids, Iowa
...ver, Colorado	X Des Moines, Iowa
...dgeport, Connecticut	O Dubuque, Iowa
...rtford, Connecticut	X Sioux City, Iowa (now have about 30 pa... running from customer... entitled to bring on... commercial)
...w Haven, Connecticut	O Wichita, Kansas
...tarbury, Connecticut	X Louisville, Kentucky
...lmington, Delaware	X New Orleans, Louisiana
...strict of Columbia, Washington	O Portland, Maine
...cksonville, Florida	X Baltimore, Maryland
...mi, Florida	X Boston, Massachusetts
...lanta, Georgia	X Brockton, Massachusetts
...vannah, Georgia	X Salem, Massachusetts
...icago, Illinois	X Springfield, Massachusetts
...st St. Louis, Illinois	X Worcester, Massachusetts
...oria, Illinois	X Detroit, Michigan
...lacy, Illinois	X Flint, Michigan
...ckford, Illinois	X Grand Rapids, Michigan
...d Island, Illinois	O Jackson, Michigan

[fol. 8438kkkkkk]

- Kalamazoo, Michigan
- Lansing, Michigan
- Muskegon, Michigan
- Saginaw, Michigan
- Duluth, Minnesota
- Minneapolis, Minnesota
- St. Paul, Minnesota
- Kansas City, Missouri
- St. Joseph, Missouri
- St. Louis, Missouri
- Linclon, Nebraska
- Omaha, Nebraska
- Camden, New Jersey
- Jersey City, New Jersey
- Newark, New Jersey
- New Brunswick, New Jersey
- Paterson, New Jersey
- Trenton, New Jersey
- Albuquerque, New Mexico
- Albany, New York
- Buffalo, New York
- Long Island,City, New York
- Minaolo, New York
- New York, New York
- White Plains, New York
- Rochester, New York
- Syracuse, New York not called
- Utica, New York
- Winston-Salem, North Carolina
- Akron, Ohio
- Canton, Ohio
- Cincinnati, Ohio
- Cleveland, Ohio
- Columbus, Ohio
- Dayton, Ohio
- Hamilton, Ohio
- Springfield, Ohio
- Toledo, Ohio
- Youngstown, Ohio
- Oklahoma City, Oklahoma
- Portland, Oregon
- Allentown, Pennsylvania
- Erie, Pennsylvania
- Philadelphia, Pennsylvania
- Pittsburgh, Pennsylvania
- Reading, Pennsylvania
- Scranton, Pennsylvania
- Charleston, South Carolina

[fol. 8438]

– Sioux Falls, South Dakota	X San Antonio, Texas
0 Chattanooga, Tennessee	— Salt Lake City, Utah
0 Knoxville, Tennessee	O Richmond, Virginia
0 Memphis, Tennessee	X Seattle, Washington (ADT. map from city council
0 Nashville, Tennessee	X Spokane, Washington
X Dallas, Texas	O Tacoma, Washington
0 El Paso, Texas	— Green Bay, Wisconsin
X Fort Worth, Texas	X Madison, Wisconsin
0 Galveston, Texas	X Milwaukee, Wisconsin
X Houston, Texas	X Oshkosh, Wisconsin

[fols. 8438mmmmmm-8439]

Albany, New York	no
Baltimore, Maryland	no
Boston, Massachusetts	no
Chicago, Illinois	yes (two [illegible])
Cincinnati, Ohio	no
Cleveland, Ohio	no
Dallas, Texas	no
Dayton, Ohio	no
Denver, Colorado	no
Detroit, Michigan	yes (three)
Houston, Texas	no
Indianapolis, Indiana	yes (one)
Los Angeles, California	yes (one)
Milwaukee, Wisconsin	yes (two)
Minneapolis, Minnesota	no
Newark, New Jersey	no
New York, New York	yes (1)
Peoria, Illinois	no
Philadelphia, Pennsylvania	yes (one)
San Francisco, California	no
St. Louis, Missouri	no
Washington, D. C.	yes (one)

[fol. 8440] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W42a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action File No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, ET AL., Defendants

Deposition of MICHAEL SINGEL, taken before John J. Mehler, a Notary Public within and for the State of Ohio, at the offices of Squire, Sanders & Dempsey, 1857 Union Commerce Building, Cleveland, Ohio, at 9:30 A.M. Friday, September 8, 1961, pursuant to notice and stipulations of counsel, by the defendants American District Telegraph, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware.

* * * * * * *

[fol. 8441] MICHAEL SINGEL, of lawful age, called as a witness by the defendants American District Telegraph, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware, being by me first duly sworn, as hereinafter certified, deposed and said as follows:

Direct examination of Michael Singel.

By Mr. Williams:

* * * * * * *

Q. May we have your full name, sir?
A. Michael Singel.
Q. And where do you live, Mr. Singel?
A. 5445 West 16th Street, Cleveland, Ohio.

Q. Are you connected with any partnership in this city that is engaged in the alarm business?

A. Yes.

Q. What is the name of that firm?

A. Security Alarm.

Q. Are there any other persons connected with that firm?

A. Yes.

[fol. 8442] Q. Who are they?

A. John Rusnak.

Q. Is he a part owner?

A. Part owner.

Q. And you are a part owner?

A. Yes.

Q. Are there any other persons who have any ownership in that firm?

A. No.

Q. Where is the firm located?

A. 461 Broadway Avenue.

Q. In this city?

A. In this city, Cleveland, Ohio.

Q. And I take it that the firm is a partnership?

A. Yes.

Q. How long have you been associated with that firm?

A. Well, since 1955.

Q. At that time you became a part owner?

A. Partner. That is when we started the business, in 1955.

Q. Had you had any experience in the alarm business prior to 1955?

A. Yes.

Q. What was that?

A. Serviceman for Merchants Alarm. They are out of business, by the way.

[fol. 8443] Q. How long had you been a serviceman for that company?

A. Oh, a year and a half.

Q. What were your duties?

A. Servicing burglar alarms and repairing them.

Q. And installing them, also?

A. Yes.

Q. Now, could you tell us, in general, what the nature

of the business of Security Alarm Company is, or Security Alarm?

A. Installing audible burglar alarms. That is just the bell ringing on the outside, not the silent type.

Q. Are those types of alarms known as local alarms?

A. Local alarms, that's right.

Q. Is that the only type of alarm that you furnish?

A. Yes.

Q. And are those alarms all burglar alarms?

A. We have, I think, one or two fire alarms, audible also.

Q. Do you sell these alarms or rent them?

A. We sell them outright.

Q. Approximately how many alarm sales do you make in a year?

A. 60—65.

Q. Has that figure remained fairly steady over the past several years?

A. Yes.

[fol. 8444] Q. Would you describe to us——

A. Wait a minute. Let us go back now. Well, that is an average. Well, it could go from 65 to 85, in through there.

Q. Per year?

A. Per year. We are a small outfit.

Q. Do you service these alarms after installation?

A. Yes, we do.

Q. Is that done on a regular basis for each installation? Do you have a service agreement?

A. We have two ways, per service call or service contract. In other words, for so much a year we will service that alarm for them, or by service call per each service call.

Q. Could you estimate how many service agreements you have in force now?

A. Oh, approximately 50.

Q. Over the past five years, how many local burglar alarm systems would you estimate you installed, total?

A. Well, we have, about, 350.

Q. And of those 350 you have now, there are 50 where you furnish service on a service agreement basis?

A. Yes, but some of those alarms we have were old

Merchants alarms. In other words, when they went out of business some of that business came over to us.

[fol. 8445] Q. Will you describe to us what one of your typical local burglar alarm installations would consist of, mechanically?

A. Well, we will start with the control box, the lock, the bell box, and occasionally we put flashers on the bell box. In other words, when the bell rings the flasher goes off, the police see the light going on and off even a mile down the road. Protecting the windows with foil and the doors with switches. That is about it.

Q. Do you use any other type of protective mechanisms besides foil and switches?

A. Occasionally electric eyes, not often.

Q. Do you use floor traps of any kind?

A. Oh, yes, floor traps, sure.

Q. Do you screen skylights?

A. Lace, yes, if they want them laced. It depends on the subscriber. We give them what they want.

Q. Are there any other types of mechanical devices that you use in addition to the ones that you have mentioned?

A. No. That is about it.

Q. Will you describe to us the type of mechanism you use on those few automatic fire alarm accounts that you have?

A. Oh, thermostats, and the regular bell control box.

[fol. 8446] Q. Are those fixed temperature devices?

A. Yes, they are.

Q. The thermostat is just like a little heat actuated switch?

A. That's right, 135 degrees.

Q. Aside from these local burglar alarms and the few fire alarms, you do not furnish any other type of alarm service, is that right?

A. No.

Q. From whom do you obtain your alarm equipment?

A. Ademco, New York City, and wire from Rego Wire, and batteries from Underwood Battery. That is about it. They are the suppliers.

Q. Ademco is your sole source of devices, then?

A. That's right.

Q. Have you had any trouble in obtaining alarm equipment that you desired to buy?

A. No.

Q. Now, on these arrangements that you have or, I call them service agreements, do you have a form of contract that you use for that?

A. No.

Q. Strictly an oral arrangement between you and the customer?

A. Yes.

[fol. 8447] Q. And do you have a fixed monthly charge?

A. On some of them they may have. We have about three or four that we have a fixed monthly charge. In other words, they pay us for service by the month.

Q. Otherwise, how is it done, on a yearly basis?

A. By the year or six months. It depends on the people.

Q. Now, going to your books, you say your books start from 1956?

A. Yes, sir.

Q. All right. Can you tell us in 1956 what your gross revenue was from your burglar alarm business?

A. Well, I will give you what we have here. I have a fellow that comes in and works on the books. I work on the books, but he works on the reports. Well, gross receipts in 1956, we have $5,260.75.

Q. Now, was that all derived from the sale of local burglar alarm devices or the rendering of some maintenance service on them?

A. That's right.

Q. O.K. That was 1956?

A. 1956.

Q. Can we have the next year?

A. 1957, we have here gross receipts $14,661.19.

Q. From the same sources?

A. Yes.

[fol. 8448] Q. O.K. Could we have 1958?

A. 1958, we have $13,228.90.

Q. From the same source?

A. Yes.

Q. And 1959?

A. 1959, total receipts $12,469.94.

Q. Again from the same source of selling local burglar alarms and servicing them?

A. Yes.

Q. For 1960?

A. $14,800.13.

Q. Do you have a rough idea of what your gross receipts have been so far in 1961?

A. If you want to mark them down I can give them to you.

Q. O.K.

A. January, $1,810.50. February, $1,289.45. March, $2,232.95. April, $2,597.25. May, $2,811.29. June, $2,015.10. July, $531.10. That is as far as I got.

Q. So that the total is $13,287.64. Now, for the same years, Mr. Singel, could you tell us how many installations you made in each one of those years of 1956 through 1961?

A. The exact number?

Q. Well, no. An approximate number.

A. Well, we average anywhere from—of course, some [fol. 8449] months it runs good, like July here we only had one or two, $531. Then the other previous months it runs—you can't tell. Yo uhave a good month and a bad month. Sometimes you can't sell anything for a few months.

Q. Taking the period 1956 to 1960, has your number of installations per year gone up?

A. Well, the last four years I would say it would average maybe anywhere from five to eight jobs that month.

Q. Five to eight per month?

A. Yes.

Q. Of course, 1956 was the second year after your start?

A. Yes. There is only two of us in the company, actually.

Q. Who does the installation for you?

A. My partner, and occasionally we have part-time help.

Q. Who does the selling?

A. Mostly me.

Q. Do you generally work by soliciting accounts, soliciting a job, or do you wait until somebody comes to you looking for a quote on a buglar alarm?

A. Both.

Q. Would you estimate that this is about evenly divided, people seeking you out or you seeking them out?

A. It is more us seeking them.

Q. Generally what type of premises do you protect?

A. Stores, cafes, and a few factories. Small business. [fol. 8450] Real small business.

Q. Mostly retail stores?

A. Retail stores.

Q. Now, you say that some customers or potential customers seek you out and ask for a quotation on an alarm system.

A. That's right.

Q. What do you do when that happens? Do you go out and look at the premises?

A. Yes.

Q. And what does that entail? What do you look for?

A. Well, before we go any further, I also have a part-time salesman. Whenever he feels like working he works. When he doesn't feel like working, he doesn't.

Q. But you have done this yourself?

A. Yes.

Q. Suppose you describe for us what it is you do in taking a look at the premises to be protected.

A. Well, I go out and look over the number of openings, the type of work to be done. If it is a brick building or steel doors, of course there is more work there, and I give them a price on the alarm.

Q. And what is that price based on?

A. We usually start at $165, and then the number of openings to be protected.

Q. Is the price based on the number of openings, the [fol. 8451] amount of equipment you are going to have to use, and the amount of labor it is going to take in your estimation to install the equipment on the premises?

A. Yes.

Q. Is that generally it?

A. That is the general idea, and what they can afford. In other words, some people are pretty hard up and they need an alarm, why, we go along with them.

Q. And I take it that there is a factor in there, also, that allows you some profit on the job?

A. Oh, sure.

Q. Am I correct that you told me you just have one or two fire alarm systems installed?

A. Well, let's see. I have one in a home, and I got a combination burglar-fire alarm in my home. We don't have too many fire alarms. Mostly burglar alarms. 99% are burglar alarms.

Q. Now, is the equipment that you use approved by any insurance inspection organization?

A. You mean Underwriters Laboratories? No, we are not Underwriters Laboratories approved. The equipment we use is from Ademco and most of their equipment is Underwriters Laboratories approved. We do not give certificates.

Q. Have you attempted to get approval from any organization?

[fols. 8452-8453] A. We looked into the matter but we never went—we looked into the matter but that is all.

Q. Do you feel your firm operates at a disadvantage by not having such approval?

A. Well, yes and no. That is no answer, I know.

Q. Well, you are familiar with the trade.

A. Yes.

Q. You tell us what is your feeling about having Underwriters Laboratories' approval.

A. Well, we do have people ask us if they will get an insurance discount on it, and the insurance companies call and ask if it is Underwriter approved, and we tell them no, that we do not issue certificates. It is Underwriters approved equipment that is used, but we don't——

Q. The installation is not approved, the entire installation?

A. No. That is right.

Q. Do you find that you lose potential business because of the fact that you can't furnish a certificate?

A. Occasionally. Not often.

• • • • • • •

[fol. 8454] Q. Has your business operated at a profit during the period from 1956 through 1960?

A. Well, I would say this, we pay our bills, and the

commissions that I make, I get paid, and the work done, the labor is paid. How much profit we make doesn't show.

Q. Well, the business has not operated at a loss, has it?

A. No, I wouldn't say that.

Q. During the past five years has your business gone generally upward rather than downward?

[fol. 8455] A. Upward.

Q. Do you know of any other firms that are operating in the greater Cleveland area that furnish the same type of service that you do?

A. Yes.

Q. Do you know the names of them?

A. Well, we are mostly an own your own outfit. In other words, we sell the alarm to the people and it belongs to them, but in order to keep the alarm they will sell mostly theirs on a rental basis or lease it, whatever you want to call it.

Q. Who are "they"?

A. Who are the ones that sell outright besides rental, you mean?

Q. Yes.

A. I believe Allied sells. It is mostly a rental outfit but they sell outright, and I think Alert will, too.

Q. And who are the firms that rent or lease mainly?

A. A.D.T. and Morse. Safeway, I don't know about Safeway. I think he is also on both. I am not positive. We mind our own business and go along on our own work.

Q. Are you familiar with the type of service that Morse and A.D.T. offer?

A. Not too much.

[fol. 8456] Q. Do you know whether they offer service that is different from local burglar alarm systems?

A. Yes. I believe they have cars running in on their silents. They have men.

Q. On their silent alarms?

A. Yes. I don't know how they work their audible, if they send men out on their audible or not.

Q. Do you know what a central station is?

A. Yes.

Q. Do you know how it operates?

A. Yes.

Q. Do you know whether A.D.T. and Morse operate central stations in this city?

A. Yes.

Q. Do you know if anyone else does?

A. I don't know if Allied does or not. I have heard rumors but I don't know.

Q. Have you ever heard of a type of alarm service that makes use of a telephone answering service to——

A. I have heard of one, yes.

Q. Do you know if anybody in this city has that type of operation?

A. I have heard rumors that Allied does it. I am not positive.

Q. Do you know how that operates?

[fol. 8457] A. No, I don't. I have an idea, though.

Q. Well, what is your idea?

A. Well, I understand it rings on a telephone answering service and either the answering service calls the subscriber or they call Allied or whoever has it. I don't know what they do there.

Q. In other words, if there is an attempted break-in on a protected premises, some sort of signal will be transmitted over telephone lines to the switchboard telephone answering service?

A. That's right.

Q. Have you ever thought of going into that type of business?

A. Not actually.

Q. Have you considered it with your partner?

A. Well, it was mentioned once or twice, but that is about all. Not past the mentioning stage.

Q. During the conduct of your business, have you had occasion to speak to customers who had been or were customers of A.D.T. or Morse?

A. Who were?

Q. Yes.

A. Yes.

Q. Can you remember any specific instance?

A. There were a few that thought A.D.T. was too ex-

[fol. 8458] pensive and terminated their contract, and they called us after the alarm was taken out.

Q. And asked you to bid on putting a local system in?
A. That's right.
Q. And did you get any of those jobs?
A. From A.D.T.?
Q. Yes.
A. I know about three.
Q. Was that recently?
A. Oh, in the past years that we have been in.
Q. Have you had similar experience with former subscribers of Morse?
A. We have had some Morse that after they threw out Morse, we went in—I mean threw out Morse, I meant when they took their equipment back.
Q. Was that also, to your recollection, because of increased charges wanted by Morse?
A. Well, they thought it would be more beneficial to them to own their own alarm rather than lease it or rent it.
Q. Why would that be?
A. Well, on a rental basis you pay year after year after year, and you get nothing. I mean, you just get the service, where with ours you pay it out and it belongs to them. They maintain it themselves if they want to.
Q. And if they do not want to, you can always main-[fol. 8459] tain it for them on a call basis?
A. That's right.
Q. You stated earlier that on some of your bell boxes you have flashing lights?
A. Yes.
Q. I take it those are placed so that they will be visible for quite a distance, is that right?
A. That's right.
Q. Is this something that is new in a local alarm system?
A. Yes. That is something my partner put in.
Q. In other words, you modify standard equipment to include flashing lights?
A. Right.
Q. Do you find that your customers like this particular innovation?
A. Yes.

Q. Are you selling some of those now as opposed to those that do not have the lights on?

A. Depends on the location of the business. If it is set back from the road, they like it. If it is in a business district where there are a lot of people walking, it doesn't matter.

Q. I take it that Ademco does not offer a bell box that incorporates a light?

A. No. We worked that out ourselves.

[fol. 8460] Q. Do you feel that it is a significant improvement on a local alarm system?

A. Yes.

Q. Do you know if any other company in the city furnishes this light arrangement with their alarm systems?

A. Well, we were the first and now some other outfit puts one out.

Q. Do you know what direct connected service is?

A. Well, from the subscriber to the A.D.T. office or Morse office.

Q. No. That is what is generally called central station.

A. Well——

Q. You are familiar——

A. Oh, direct from the subscriber to his home? Is that what you are talking about?

Q. To the municipal police or fire department.

A. Oh, yes.

Q. Are there any such installations, to your knowledge, in the city of Cleveland?

A. Bank alarms.

Q. Vault alarms?

A. Yes.

Q. And those are connected to the police department?

A. That's right.

Q. By telephone cables?

[fol. 8461] A. I imagine.

Q. Do you know whether there are any fire alarm, direct connected fire alarm systems in the city of Cleveland?

A. No.

Q. Has your firm ever done any direct connected work at all?

A. No.

• • • • • • •

[fol. 8462] Q. Have any persons to whom you sold local alarm systems told you that they had to give it up and [fol. 8463] take central station service because of insurance requirements?

A. You mean after they had our alarm in?

Q. Yes.

A. No.

Q. Has anybody said that to you while you were bidding on a job?

A. Yes.

Q. Do you recall any specific instances?

A. No.

Q. Does it happen frequently?

A. No, not too frequently.

Q. Who are your major competitors?

A. Well, I would say Allied and Alert.

Q. Both of which are local?

A. Local.

Q. Do you have any competition from A.D.T. or Morse?

A. Oh, yes.

Q. I believe you stated earlier that you have gotten some customers who were former A.D.T. or Morse customers and, in turn, you have lost a few customers to either A.D.T. or Morse?

A. Yes.

Q. Are you a member or is your firm a member of any burglar alarm trade or association?

A. No.

[fol. 8464] Q. Have you had any contact in this city with A.D.T. employees?

A. Yes.

Q. Who?

A. John Swanson. He is no longer here. A salesman. I have talked to Bob Stibor. One more, I don't recall his name right now—Rives. I forget his first name. Maybe it is Dick.

Q. Have you had any similar contacts with employees of the Morse company?

A. No.

Q. Your contacts with these A.D.T. employees, what did that consist of?

A. Well, they were salesmen for A.D.T. and if they had

an audible at one time when A.D.T. did not have audible, they would let me know once in a while that there was an audible.

Q. Have you ever met them in bidding on protecting some premises?

A. No.

Q. By "audible" you mean a local alarm?

A. Local alarm.

Q. Do you know of any other people in Cleveland who have attempted to get into the alarm business, who have been unable to do so?

[fol. 8465] A. No.

Q. Has either Morse or A.D.T. made any efforts, to your knowledge, to force your firm out of business?

A. No.

* * * * * * *

Q. When you install an alarm system, is it generally paid for by the customer all at one time?

A. No. It depends.

Q. Tell us what generally happens.

A. Well, some of them can't afford to pay the total amount at one time, so we work it out on payments, whatever they can afford.

Q. How long a period do those payments generally run?

A. Anywhere from 30 days to a year.

* * * * * * *

[fol. 8466] Cross-Examination of Michael Singel.

By Mr. Story:

* * * * * * *

[fol. 8467] Q. Have you taken over any accounts which [fols. 8468-8469] were previously served by A.D.T. central station protection service?

A. Yes.

Q. How many was that, sir?

A. I believe we have two.

Q. Two?

A. I know of one definitely. One I sold, and I believe there was one other.

Q. And that is during the period of time that you have been in business?

A. Yes.

Q. And that was for how many years?

A. That we have been in business?

Q. Yes.

A. Six, now.

* * * * * * *

[fol. 8470] Q. Now, you mentioned that you knew some of the A.D.T. salesmen in the greater Cleveland area. You mentioned a Mr. John Swanson. What is his position with A.D.T.?

A. Now?

Q. Yes.

A. I believe he has been transferred to Detroit.

Q. While he was here what was the nature of your contact with Mr. Swanson?

A. I met him bidding on a job. He was coming out of the place and I was going into the place, and I introduced myself.

[fol. 8471] Q. What was the nature of the conversation there?

A. Nothing in general. Talked business, so forth and so on.

Q. Did he know that you were there to bid on this same alarm job?

A. Yes. I bid before he did.

Q. Have you had any other contact with Mr. Swanson?

A. Oh, I would see him occasionally different places, and if I had a prospect that was interested in a silent, why, I would let Mr. Swanson know.

Q. In other words, you have run into subscribers who wanted central stations?

A. That's right.

Q. And you referred them to Mr. Swanson?

A. Yes.

Q. How many during the last five years have you referred to Mr. Swanson?

A. Oh, maybe an average of three a year or so. Not often.

Q. When you say "silent alarm," you mean central station alarm system?

A. Central station, that's right.

Q. Now, in return, has Mr. Swanson referred any business to you?

A. We have had some referrals from A.D.T. I don't know who they came from offhand, but we have had [fol. 8472] some referrals when people wanted an audible.

* * * * * * *

[fol. 8473] Q. Mr. Singel, could you describe in a little more detail the nature of the customers that you sell your local alarms to?

A. Most of them are tavern owners, small retail businesses, people that can only afford—we are a small outfit, and people who haven't got too much money, why, they want an alarm that they can own and operate themselves, service themselves, so they call us.

* * * * * * *

[fol. 8474] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W43a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition upon oral examination of a witness, MARY B. NORDSIEK.

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[fols. 8475-8476] The deposition upon oral examination of Sentinel Protective Service, by and through, MARY B. NORDSIEK, a witness, produced and sworn before me, Bertha L. Harrison, a Notary Public of Marion County, State of Indiana. This deposition was taken on behalf of the defendants, American District Telegraph Company, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware, commencing at the hour of 10:30 o'clock, A. M., August 23, 1961, at Room 247, Federal Building, in the City of Indianapolis, County of Marion, State of Indiana.

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[fol. 8477] MARY BELLE NORDSIEK, being first duly sworn to testify the truth, the whole truth, and nothing but the truth, deposes and says:

Direct examination.

Questions by: Averill M. Williams, Esq.:

1 Q. Might I have your full name?
A. Mary Belle Nordsiek, I sign Mary B. Nordsiek.

2 Q. Are you a partner in the Nordsiek Protection Service?

A. Yes.

3 Q. You have been in this business for the same length of time your husband has, is that correct?

A. Yes.

4 Q. What are your particular duties in connection with the operation of the firm?

A. I take care of the telephone, and make records of service calls, and I take care of the books, and dispatch a man for whatever is supposed to be done, interview on the telephone prospects for alarms, and so forth, everything a secretary or owner would do.

5 Q. You say you receive telephone calls from persons who are inquiring about alarm service?

[fol. 8478] A. All day long.

6 Q. Do you explain to them the type of service your firm renders?

A. Yes.

7 Q. Have any of them ever mentioned to you they have contacted other firms and have been obtaining advice and quotations from other firms?

A. Usually they don't go into that, they just say they are interested in an alarm.

8 Q. Do you then say you will have someone visit the premises?

A. Yes.

9 Q. You don't give quotations over the phone?

A. No.

10 Q. Do you give them an idea what your approximately monthly charges are?

A. No.

11 Q. Are you familiar with the mechanical way in which your business operates?

A. Yes.

12 Q. The functioning of local burglar alarm systems?

A. Yes.

13 Q. Do you know the way in which a central station alarm company operates?

[fol. 8479] A. Yes.

14 Q. Do you think that there is a difference in the service

that is rendered by local alarm companies and central station alarm companies?

A. Of course.

15 Q. Would you dwell on what your thoughts, regarding those differences, are?

A. Well, I think, for the most part, that the people who buy our alarm are buying it because they are getting one that isn't costing them so much and I think our competition in this business are the alarm companies that will give you a reduced rate in your insurance, whereas, ours won't, is a big factor in the amount of sales we make and the amount of quotations we have made in recent months are—well, we make a note of the party we quote and if we sell them. Of course, out of about four quotations maybe we get one.

16 Q. You actually get one job?

A. Yes.

17 Q. Do you generally know or are you able to find out who actually gets the three you don't get?

A. Nobody mentioned Circle Alarm but Circle Alarm is using a monitor type thing, they are stepping in here hard. [fol. 8480] There is going to be quite a little battle in this alarm field.

18 Q. Is Circle Alarm furnishing a central station type service?

A. Yes.

19 Q. Are they also furnishing a phone line connected right to the home of the individual?

A. I think they are, it could be they are. I know some of the men working with it. I know the man that built the first monitor unit for Circle Alarm, he called me the other day.

20 Q. Do you find yourself in competition with Circle Alarm?

A. Some, but they are comparatively new.

21 Q. Do you find that with potential customers to other central station companies?

A. Yes.

22 Q. Both American Alarm Company and ADT?

A. Oh, yes.

23 Q. Do you think that the local alarm service your firm renders is, roughly, as effective as central station service?

A. I think more so.

24 Q. Would you explain why?

[fols. 8481-8482] A. When that bell starts to ring whoever is there takes off. I heard of one in regard to a burglary of a break-in a place where they had ADT, after they broke the window they would hide until the man comes through, anyhow, they would hide until they had a chance, after the man came through they would go back in.

25 Q. You mean with an ADT guard in the area he takes a look at the premises and when he is gone they go back in?

A. That is your main factor.

26 Q. Central station is usually silent on the premises?

A. Yes.

27 Q. An intruder really doesn't know that he has in fact set off the alarm?

A. No.

* * * * * * *

[fol. 8483] 38 Q. I take it your subscribers in number has remained at a fairly steady level for the past five years or so?

A. Yes.

39 Q. I take it also that has been due to a desire on the part of the company not to go into an active expansion program, you are just content to stay at your present level?

A. That's right.

40 Q. I take it also since the level of number of subscribers have stayed the same you haven't really lost any appreciable amount of business due to competition in the alarm field here in the City?

A. Well, lets put it this way, we could have had more, we could have had more business if we had gone after it. [fols. 8484-8485] On the other hand, I would say competition is much keener than it was when we first went in business.

41 Q. Who is the competition coming from?

A. It is coming from the bigger companies, the smaller operator in this field—our reputation is very good, we are considered dependable people and some other fellows are in and out, here and gone.

42 Q. You said a moment ago the increased competition came from bigger companies?

A. Yes.

43 Q. By that do you mean central station companies?

A. Yes.

44 Q. Including ADT and American Alarm?

A. Yes.

* * * * * * *

Cross-examination.

Questions by: Robert G. Levy, Esq.:

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[fols. 8486-8490] 55 Q. Mrs. Nordsiek, you mentioned that your competitors were the larger companies in this City, ADT and American Alarm?

A. Yes.

56 Q. Would you say competition comes primarily from your local service or do you find your stiffest competition is the installation of local alarms?

A. No, it comes from the central station type system.

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[fols. 8491-8493] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W44a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition of SUBURBAN PATROL SERVICE CORPORATION OF ROCKFORD, by MORRIS J. AMSRUD, pursuant to notice dated July 10, 1961 and subpoena duces tecum dated and issued July 12, 1961, and to the Federal Rules of Civil Procedure, taken before Helen K. Thomas, a notary public within and for the County of Cook and State of Illinois, at the United States Courthouse for the Northern District of Illinois, Eastern Division, 219 South Clark Street, Chicago, Illinois, on Thursday, July 27, 1961, at the hour of 10:00 o'clock a.m.

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[fol. 8494] MORRIS J. AMSRUD, having been first duly sworn, deposeth and saith as follows:

Direct examination.

By Mr. Fritz:

Q. Would you kindly state your full name and address, sir?

A. Morris J. Amsrud; 3821 South Main, Rockford, Illinois.

Q. Are you connected with the Suburban Patrol Service Corporation?

A. Yes.
Q. Is that a corporation, as the name seems to indicate?
A. Yes, it is.
Q. Are you an officer?
A. Yes.
Q. What office?
A. Vice president.
Q. What is the address of the company's place of business?
A. 9500 Belmont is the main office. That is Franklin Park.

Mr. Broady: Let me correct you. He asked the address of the place of business.

By the Witness:

[fol. 8495] A. In Rockford, the same address, 3821 South Main.

By Mr. Fritz:

Q. Does the company have more than one place of business?
A. Franklin Park and Rockford.
Q. Is Franklin Park a suburb of Chicago?
A. No, it isn't.
Q. How far from Chicago is Franklin Park?
A. Franklin Park?
Q. Approximately, yes.
A. I really don't know.

Mr. Broady: Franklin Park is a suburb and is within 10 or 15 miles of Chicago.
The Witness: Yes, Franklin Park is a suburb of Chicago.

By Mr. Fritz:

Q. How about Rockford, Illinois? That is not a suburb of Chicago, I take it?
A. No, it isn't.
Q. That is a separate independent municipality?
A. That is right.
Q. And it is located approximately how far from the city of Chicago?

A. About 80 miles.

Q. What in general, Mr. Amsrud, is the nature of the [fol. 8496] business of Suburban Patrol Service Corporation?

A. Watchmen in the factories and patrol service.

Q. Does it maintain a central station in that connection at which signals are received from subscribers' premises?

A. No, no central station.

* * * * * * *

[fol. 8497] Q. Within your recollection, during the past six years, have there been any other instances in which you have been in competition and endeavoring to get a patrol or watch service contract with other firms, persons or corporations offering local burglar alarm service or central station protective service?

A. No. You see, I am not in that business, so I wouldn't have any reason to.

* * * * * * *

[fol. 8498] Cross-examination.

By Mr. Story:

Q. Mr. Amsrud, how big is Rockford, Illinois? What is your population?

A. I believe it is around 126,000 now.

Q. Do you have many industrial plants or manufacturing plants in the city?

A. Well, roughly, the last figure I understood it was around 486 plants all told.

Q. That is manufacturing plants?

A. Precision plants, specialty plants, everything, all the way through. That includes them all.

Q. Do you have any alarm companies in Rockford?

A. Yes.

[fol. 8499] Q. How many do you have?

A. There is two alarm companies there.

Q. Do you know the names of the companies?

A. ADT and the other one I can't tell you the name of the company, but the headquarters are Davis Junction.

Illinois. I can't tell you the name of it, and he does smaller burglar alarms and so forth.

Q. ADT is the American District Telegraph Company?

A. That is right.

Q. Does the American District Telegraph Company have a central station in Rockford?

A. Yes.

Q. How long, to your knowledge, has this central station been in operation?

A. I am not too sure. As long as I have been in this thing, they have two different places. They have a new place now so I would say, to my recollection, for the past six years that I know of.

Q. Does ADT have two central stations in Rockford?

A. No, just the one. They have a new one now. They had one in with somebody else before, and now they have their own, their own building, exclusive for their central station.

Q. What happened to the other company?

[fol. 8500] A. They were in with somebody else, I believe. I think they were in with Western Union. If I remember right, they were in the same office with Western Union, if I remember correctly.

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[fols. 8501-8503] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W45a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, et al., Defendants.

Deposition of U. S. Burglar Alarm Co., Inc., by Robert E. Leeper, taken on behalf of defendants, at 605 West Olympic Boulevard, Los Angeles, California, commencing at 10:15 A.M., Friday, October 27, 1961, before Julian R. Schwab, C.S.R., Notary Public, pursuant to the notice annexed to the deposition of Morris F. Weinstock and federal rules of civil procedure.

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[fol. 8504] Direct examination

By Mr. Fritz:

Q. Mr. Leeper, would you state your residence address, please.

A. I live at 530 Dalehurst Avenue, Los Angeles 24.

Q. What is your occupation?

A. I am president of the United States Burglar Alarm Company, Incorporated.

Q. And as such are you familiar with the business and [fol. 8505] activities of that company?

A. Yes.

Q. You are actively engaged in the management of it, I believe, is that correct?

A. Yes.

Q. How long have you been so engaged?

A. Sixteen years.

Q. Where is the place of business of the company?

A. We are located at 1315 West Pico Boulevard.

Q. What is the nature of the business of the company?

A. We install and service burglar alarms.

Q. Is your company engaged in furnishing burglar alarms both on a local basis and on a central office basis?

A. Yes.

Q. How long has it been engaged in furnishing service on those two bases?

A. We started with our local alarms in 1924, and we started in a direct store—started into central office alarms in about 1953, and opened our own station in 1955.

Q. When you began your central station service in 1953, but not with your own central station, as I understand it—is that correct?

A. Yes.

[fol. 8506] Q. —were there other central station companies or organizations in operation in the City of Los Angeles?

A. Yes.

Q. What ones were in operation then?

A. A.D.T., Morse Signal Devices, and, I believe, Protection Engineering Corporation. I am not sure when they started.

Q. Have such companies come into the protective service field or activity in the City of Los Angeles since that time, that is, other companies?

A. Yes.

Q. Would you name those that you can think of that have so come in since you began.

A. American Fire Dispatch, and Standard Alarm Company, Pacific Alarm Company. These are the companies with their own central station, I believe. And then many of the local companies engage in central office alarms but they run these alarm systems into proxy telephone answering services, and they call themselves a central alarm company.

Q. Are there many of those?

A. Yes. I would imagine in the City of Los Angeles there are 55 companies under permit to the City of Los

Angeles, and I would imagine that maybe half or three-quarters of them run these wires into answering services.

Q. That type of service, which employs telephone answer-
[fol. 8507] ing, is a combination, so to speak, of the functions which the local alarm renders on the premises, that is, the sounding of the gong, and in addition the rendition or the transmission of a signal from the premises to the telephone answering service, is that correct?

A. No. They call it a silent alarm. In other words, there is nothing on the premises except——

Q. Except the device?

A. Yes.

Q. The actuating device?

A. Yes. And then it buzzes or rings in the answering service.

Q. I see. So it is really, then——

A. It is not a combination alarm.

Q. It is a form of silent alarm?

A. Yes.

Q. With the receiving end being the telephone answering service?

A. Right, yes.

Q. I think you said there are approximately 55 local burglar alarm companies in Los Angeles that are permitees, so to speak?

A. There are 55 companies under permit to the Board of Police Commissioners.

Q. The requirement in Los Angeles is that these companies have permits from the Police Department?

[fol. 8508] A. Yes. All employees and all management must be fingerprinted and licensed.

Q. Is that number of 55 an increase over what it was, say, ten years ago?

A. Oh, yes.

Q. By how much would you say, approximately?

A. Well, I actually didn't know there were 55 under permit until I met with the Police Commission last week. But many of our former employees are out now in business for themselves.

Q. In that kind of business?

A. Oh, yes.

Q. Well, say, five years ago, would you say the number was less than 55 or 56 of the local companies using——

A. Oh, yes, I would imagine there might be around 30 or 35, some place in there.

Q. Are there companies now in the process of opening up central stations here in Los Angeles, that you know of?

A. Well, I believe Monarch Burglar Alarm Company is building their central station right now.

Q. Was your company always incorporated under the name that it now has, or——

A. We were incorporated last November. Before that we were United States Burglar Alarm Company, a partnership.

Q. And carried that name all through the years that you mentioned?

[fol. 8509] A. Yes.

Q. It began in 1924?

A. Yes.

Q. You have been with it for sixteen years, is that right?

A. Yes.

Q. What proportion of your business is strictly local alarm? I am speaking now in terms of customers.

A. Well, we have about 2,000 alarms.

Q. Are those purely local alarms?

A. Yes.

Q. That is——

A. Yes.

Q. —giving off a sound from the subscriber's premises?

A. Yes.

Q. And wholly unconnected with your central station or any other central station, is that correct?

A. Yes.

Q. How many central station burglar alarm customers do you have?

A. Two hundred eight.

Q. Now, going back, say, five years, to 1955—before I get to that, would you be good enough to give me the gross revenue of the company for whatever its last fiscal year was?

[fol. 8510] A. In 1960 it was $202,000.

Q. How does that break down between the two types, local and central office?

A. Local alarms were $168,000 and central office $35,000.

Q. Can you give me comparable figures for 1959?

A. Yes.

Q. Both customerwise and dollarwise?

A. Yes. In 1959 we had 2,504 local alarms which grossed $172,000, and 101 central office alarms which grossed $26,600.

Q. In 1958?

A. 2,126 local alarms, for a gross of $177,000, and 64 central office for $19,500.

Q. 1958?

Mr. Gold: That was 1958.

Mr. Fritz:

Q. 1957?

A. I didn't compile those figures, but approximately in 1955, when we opened our own station, I think we had about 10 in '55, or maybe a dozen, that were in outlying communities we brought in at one time.

Q. That is, ten central station subscribers?

A. Yes.

Q. How many, approximately, locals at that time?

A. Well, it was, I would say, maybe 2,300 or so, between 2,300 and 2,400.

[fol. 8511] Q. If I use the term approved service will you understand what I am talking about?

A. Yes.

Q. What I mean is the type of service that may entitle a subscriber to a discount from the normal insurance premiums he would otherwise pay.

A. Yes.

Q. Do you render both approved and unapproved service?

A. We render approved service for our local alarm, and have now for three years, for our local alarm, and for the central station alarm we are in our approval now, in the period of being checked, and we believe we will have our office approved by December 1st by Underwriters.

Q. But prior to the present time, so far as central station is concerned, you have been rendering unapproved service?

A. Yes.

Q. And prior to the time that you got Underwriters'

Laboratories approval you were rendering unapproved burglar alarm service, is that correct?

A. Yes.

Q. Prior to 1955, although I am not asking you for the figures, had there been a fairly steady growth of the business from the time you began with it until up to 1955, on a local basis?

[fol. 8512] A. Well, you see, during the war our company reached its peak in construction with many defense factories and photographic places that had to have alarms.

Q. Yes.

A. And after the war we started to lose many of these accounts.

Q. Why was that?

A. Well, because they didn't have to have an alarm in their defense plant. We had Douglas, and we had many big buildings in town that had to be wired.

Q. During the war did those defense plants use the local alarm systems?

A. Yes, they were all local.

Q. They were?

A. Yes.

Q. So that because of the peak that was in existence during wartime it dropped off after the termination of the war because of the lack of necessity for defense plants to have that kind of protection?

A. Yes.

Q. Did those plants actually cease operation in the area and move out of the area?

A. Well, I don't really know about that. Many of them just didn't do restricted business any more, or restricted photography, so they didn't have to have alarm systems or classify them.

[fol. 8513] Q. In other words, you think it was a security requirement?

A. I think it was, yes.

Q. Just in general what are the categories of commercial establishments in industry that you serve by your service in Los Angeles? Is that a clear question or not?

A. Do you mean so many jewelry stores, so many banks——

Q. I want it just by types, yes.

A. Well, we render service to any type of business establishment, private homes, liquor stores, jewelry stores, banks, savings and loan associations.

Q. All types of retail stores, I take it?

A. Yes. We have no restriction. We put an alarm in for anybody.

Q. I understand that, but I was just wondering what you actually do. In addition to those categories that you mentioned, do you render service to industrial plants of various kinds?

A. Yes.

Q. I take it that what you have told me about represents the entire gamut of service that you represent, just the local and the central station burglar alarm?

A. Yes.

Q. You render no other kind of protective service, is that [fol. 8514] correct?

A. No.

Q. You are not in the field of fire at all?

A. We have two or three fire alarms which we have put in to accommodate our subscribers, but we don't make a practice of putting in fire alarms.

Q. I take it that you don't install proprietary systems?

A. No.

Q. You know what I mean by a proprietary system, I take it?

A. Yes. That is a system for a large——

Q. That is a little central station installed on a plant to which the receiving apparatus for the signals is on the plant, and the protection points are at various places throughout the plant.

A. That is right.

Q. Do you engage in that kind of business at all?

A. No.

Q. Are there some in the area, do you know?

A. I don't know what the other companies are doing, no.

Q. I mean, are there installations of that kind, do you know?

A. Well, we had one at one time for a company in Beverly Hills, where we put their own central station in, that [fol. 8515] is, a guard who was behind a desk. And if the thing went off, then—if the alarm went off, then he would

phone another guard and they would answer the call on the premises.

Q. I see.

A. But what the other companies are doing in this field I don't know.

Q. Does your company engage in what is called either direct-connected or remote-station service, that is, a direct connection from the subscriber's premises into a municipal police department?

A. Yes.

Q. In what areas do you engage in that?

A. In some small incorporated cities but not in Los Angeles.

Q. It is not permitted here?

A. The City of Culver City will permit it; the City of Gardena, and the City of Montebello. We have, I would say, maybe eight or nine outlying accounts, and they want to be in the police department, and the alarm terminates in the police department.

Q. That does not involve your central office in any way?

A. No.

Q. That is a direct connection between the two points that I mentioned?

[fol. 8516] A. Yes.

Q. Those few subscribers, and the revenue, I take it, are reflected in the figures you have already given me?

A. Oh, yes.

Q. Is it a fact that given more or less identical circumstances, you find in Los Angeles some jewelry stores who have local and some jewelry stores that have central station burglar alarm service?

A. Yes, sir.

Q. And similarly with liquor stores and other retail establishments?

A. Yes.

Q. They may in fact be side by side and still have the two types of services, isn't that so?

A. Yes.

Q. That is a pretty prominent thing in the City, is it not?

A. Yes.

Q. Am I correct in assuming that your service is provided under written contract forms?

A. Yes.

Q. Have you produced sample forms of your service contracts?

A. Yes, I have one. The larger of the two is our most recent contract, and the smaller is one that we—the larger, I believe, we started to use in 1960, or 1959 or '60.

[fol. 8517] Q. Well, the one I hold in my hand, which you refer to as the larger——

A. That is the current one. That is the one we are using now.

Q. Is that just the central station contract, or does it cover both?

A. No, it is the same. It covers both.

Mr. Fritz: I will ask that this be marked Defendants' Exhibit 1 in this deposition.

(The document referred to was marked by the notary public as Defendants' Exhibit 1 for identification, and is attached hereto.)

Mr. Fritz:

Q. This smaller one that you have handed me is a contract that you used prior to the adoption of Defendants' Exhibit 1?

A. Yes. We added some new clauses and made the large—the type larger so it could be read more easily.

Q. I take it the smaller one, then, is not presently in use any longer?

A. We have many, many subscribers under contract.

Q. You have it outstanding but you don't use it for new contracts?

A. No.

Mr. Fritz: I ask that be marked Defendants' Exhibit 2.

[fol. 8518] (The document referred to was marked by the notary public as Defendants' Exhibit 2 for identification, and is attached hereto.)

Mr. Fritz:

Q. You are familiar, I take it, with the method of operation of central station companies that render that type of service on an approved basis, are you not?

A. Yes.

Q. Is there any difference in the type of operation or the quality of the service between the central station of an approved type and central station of an unapproved type?

A. Yes.

Q. A difference in the method of rendering service?

A. Well, for an approved central station you have to have more personnel, and you must have runners at nighttime that are equipped as guards, and must be armed, and you must have keys to the premises to—in case there is an alarm, to let the police in.

Q. Under the National Casualty Underwriters' Manual, may a central station company either have keys or not have keys?

A. Yes; it is optional, yes.

Q. It is optional, is it not?

A. Yes.

Q. Up to the present time, when you yet have not central [fol. 8519] station approval, have you had guards to respond to your calls?

A. No.

Q. You have not?

A. No.

Q. What has been the nature of your response to the alarm?

A. We use our service men and the police department.

Q. That is, when an alarm is received you send a service man out to the premises?

A. Yes.

Q. Has he been armed?

A. No.

Q. At the same time you notify—when I say "At the same time" I mean when the signal is received—the police department?

A. Yes. All our men used to be armed, and then the police department of the City passed an ordinance, or the police department forced it, that they could not carry arms. Now, at this time they will be armed as of next week or the first of November.

Q. But there was a period when your service men——

A. Were not armed.

Q. —and a period when they were, is that correct?

A. Yes.

Q. How long a time was it that they were armed?

[fol. 8520] A. I believe the men were stopped from carrying their arms in about 19—between 1948 and 1950, some place through there.

Q. You weren't rendering central station service at that time, were you?

A. No.

Q. I suppose the mechanical aspects of central station service, unapproved, as it is rendered are the same as approved?

A. Yes. We have about five or six accounts in our office now that will receive certificates as soon as we get a certificate for ourselves. In the meantime everybody else gets the same standard central station service as an approved account. Everybody must have the same service.

Q. In general that service involves the installation of actuating devices of various types, depending upon what a customer requires or wants?

A. Yes.

Q. Connected by means of leased telephone company lines to the central station?

A. Yes.

Q. And over those lines the signal is transmitted upon a disturbance in the subscriber's premises?

A. Yes.

Q. Then the action is taken at the central station, is that correct?

[fol. 8521] A. That is correct.

Q. That is substantially the way all the central station organizations operate, isn't that so?

A. I believe it is, yes.

Q. Now, I note that your two contract forms, which you have been good enough to give me, marked Defendants' Exhibits 1 and 2, both contain the provision that the equipment on the subscriber's premises shall remain the sole property of the company, is that correct?

A. Yes.

Q. How long has that provision been in your company?

A. As far as I know, it was there before I came with the company.

Q. But it's been there all the time you have been there?

A. As far as I know, it has, yes.

Q. What is the normal duration or period of your contract time?

A. The new contract calls for a five-year period.

Q. What was your old contract?

A. I believe it was one year.

Q. Subject to renewal?

A. Yes.

Q. Automatic renewal?

A. Yes.

Q. Am I correct in assuming that a great many of your [fol. 8522] 2,000 present customers who have local service are customers who have been with you for a great many years?

A. Yes.

Q. They have continued their service on an automatic renewal basis?

A. Yes.

Q. Without any actual renewal negotiations?

A. Right. We don't go out and see a subscriber at the end of the contract period. It just renews itself.

Q. You just keep on serving him and he keeps on accepting your service, is that right?

A. Right.

Q. Is that true of a very large percentage of the present subscribers?

A. It is true with all of them. We don't go out and renew the contracts, or at the end of one year or five years we don't go back and ask for a rate change or tell him he is causing too much trouble; we have to have more money; or he requires more service.

Q. How far back in point of time do your present local customers go as customers?

A. We have some that signed with the original partners of the company.

Q. In 1924?

A. Oh, yes.

Q. During all of those years of course there was avail- [fol. 8523] able here in Los Angeles central station burglary protective service?

A. Yes.

Q. Do you have any opinion as to the number of subscribers or persons who receive local burglar alarm protective service in the City of Los Angeles and its environs?

A. No, I have no idea how many people have alarms.

Q. Are they large numbers, would you say?

A. Well, I wouldn't think so, because we have about two million people in Los Angeles, and four million in the County. Now, how many business establishments there are I don't know.

Q. But you have 2,000?

A. Yes.

Q. And there are 55 permitees besides you?

A. Yes.

Q. Many of whom have been in business for a great many years, isn't that right?

A. Yes.

Q. The place of business that you have mentioned, is that a fireproof building?

A. No.

Q. Do you have to do anything unusual about the building in order to get your approval?

A. We had to take certain security precaution, such as [fol. 8524] doors, and locks, and gates, and intercom systems between the offices, and between the outside of the building, fire extinguishers, and I think that's about it.

Q. So you are going to keep on furnishing central station service at the same location where you have previously given your service, is that right?

A. Yes.

Q. Generally speaking, what is the geographical area in which you render your service?

A. We operate, I would say, in a radius of 20 miles from our office. In other words, we are about 20 miles from the beach, Santa Monica, and then we go out to East Los Angeles about 20 miles, into the Valley 20, 25 miles, and down to the Harbor, which is about 20 miles.

Q. This is true both with respect to the local burglar alarm service and the central station service?

A. Yes.

Q. How about the source of the equipment which you use both with respect to the subscriber's premises and your central station? Do you manufacture it yourself?

A. No, we do not manufacture. We buy it from Potter.

Q. Have you always bought your equipment from Potter?

[fol. 8525] A. We have bought—I would say 90 per cent of our equipment has come from Potter, maybe 10 per cent from Imperial Products.

Q. That is in Long Island City, New York?

A. Yes. This is the central office equipment.

Q. Has the equipment which you required for the maintenance and rendition of your protective service been available to you when you needed it?

A. It is very difficult to get shipments out here. We are always waiting for material.

Q. You mean there is a delay?

A. Yes.

Q. There are other sources of this type of equipment besides the two companies that you have mentioned, are there not?

A. Yes.

Q. Do you know some of them?

A. Yes. The Reeve Electric Company is one.

Q. Do you deal with them?

A. No.

Q. Have you tried to deal with them?

A. Yes.

Q. What experience have you had?

A. They show a transmitter in their catalog which lists for $80, and I get the same catalog—pardon me. I get the same piece of equipment or transmitter for $30 from Pot-

[fols. 8526-8527] ter. And it happens to be Potter equipment which is listed in here, too.

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[fol. 8528] Q. What other companies are there in the field of manufacture and supply of electric protective equipment [fol. 8529] and devices besides Reeve, Potter and Imperial?

A. We buy from Ademco in Brooklyn, New York, A-d-e-m-c-o, and we buy from a company in East Orange or North Orange, New Jersey, called Ben Lieberman, who makes some devices. We buy from Bay Alarm Company in Oakland, California.

Q. How about Walter Kidde?

A. Oh, Yes, we buy from Walter Kidde our ultrasonic equipment.

Q. Is Noty Fire in the field of manufacturing and selling this type of equipment, Noty Fire of Omaha?

A. I am not familiar with the name.

Q. So far as your Potter equipment is concerned, do you deal with the local agent for Potter?

A. Yes. We buy through Protection Engineering Corporation.

Q. They happen to be one of your competitors in the central station protective service field, do they not?

A. As I understand, it is mostly fire alarm with them, and they do have a few burglar alarms.

Q. What is your practice, Mr. Leeper, upon the termination of contract with respect to the removal of equipment on a subscriber's premises?

A. Upon termination we will go in and remove our box, if it is a local alarm, from the outside. If it a central station alarm we will go inside and remove the control [fol. 8530] box on the transmittal—or the transmitter, and anything that is salvageable, but usually the line wire and the foil stay on the premises. And if we think somebody else might move into the premises we just let the alarm stay intact for two or three months, and then at that time we will remove everything, or if somebody else moves in, then we will put the batteries back in the alarm, or energize the central station for them to use that.

Q. If you are going to furnish the service?

A. Yes.

* * * * * * *

Q. I haven't examined your contract because I haven't had the opportunity, but am I correct in assuming that your charges to your customers break down in two general categories, one an installation charge and the other a service charge?

[fol. 8531] A. Yes.

Q. Is that true with respect to both the local service and the central station service?

A. Yes.

Q. What elements have you taken into consideration in the make-up of the installation charge?

A. Our sales manager goes out on all jobs, and for the average store, for a local alarm, the installation is based on that if you send two men out on the job, that they can probably do the job in maybe four to six hours and, therefore, we have a charge of, oh, I would say, between $25 and $40, just a minimum charge, to install that local alarm. And we charge for our monthly service on a local. We charge a minimum of $6.50 on up to maybe $10 or maybe $12, depending upon the number of doors and windows, and whether he has extra equipment on the premises.

Q. The installation charge, I take it, includes the cost of labor?

A. We try to get just about the cost of labor out of it if we can, yes.

Q. The prices, I presume, from both aspects, installation and service, vary with the nature of the service, quantity of service provided, and the requirements of the subscriber on a given premises, is that correct?

A. Yes.

Q. So I take it that you don't have a fixed schedule of [fol. 8532] prices?

A. No. We don't have a price list or anything. Our man goes out and estimates. He used to be an installer. He has been with the company about 18 years. And he takes care of all the installations and the pricing.

Q. So that both your service and your pricing, so to speak, are tailor-made jobs, is that correct?

A. Yes.

Q. Over the last ten years have you found it necessary to increase your prices?

A. Yes.

Q. I don't want to know the details, but just percentagewise what would you say has been the increase in your prices, say, over the last ten years?

A. Percentagewise I would say maybe about 20 per cent.

Q. I assume that from the fact that you furnish only local burglar alarm service and central station burglar alarm service, that the only competition that you meet in Los Angeles is from local burglar alarm service and central station burglar alarm service furnished by others?

A. Well, there are others that furnish fire alarm service?

which many times we cannot furnish approved fire alarm service, so we cannot obtain the job because the subscriber wants a fire alarm and a burglar alarm.

[fol. 8533] Q. Do you mean, in other words, he wants a package deal, so to speak?

A. Yes.

Q. And the fact that you can't furnish the fire service disables you, so to speak, from getting the burglar alarm?

A. Yes, the bid is lost.

Q. That stems essentially from the fact that you are not engaged in the business of furnishing approved fire protection service, is that correct?

A. That is right, not at this time.

Q. What?

A. Not at this time.

Q. I suppose you have it in mind?

A. Yes, we do.

Q. Well, so far as your local burglar alarm service is concerned, do you find that you encounter competition? By that I mean, you meet the bidding in your efforts to secure a subscriber, the efforts of one or more from time to time of all these people engaged in the city of Los Angeles who render local alarm service?

A. Yes. We are competitive on our bids.

Q. I suppose also you meet the central station companies, or some of them, in connection with that same type of service, do you not?

A. Yes.

[fol. 8534] Q. Now, I take it, then, that in connection with your competition with these 55 or 56 permitees, the situation is that they get jobs that you try to get, and you get jobs that they try to get, and that is what represents the competition in that particular field, is that correct?

A. Yes.

Q. And is it a pretty active state of competition?

A. Yes, it is, in this area, yes.

Q. From the standpoint of the local protective service do you meet much competition from the established central station companies, like Morse, A.D.T., American Fire Dispatch, Protection Engineering?

A. Well, of course, you see, it is hard to render the same type of service because those are approved companies at

this time, and I can't go out and sell a job today and get the price they will because the subscriber won't get his insurance discount because we are not approved at this time.

Q. But I assume that over the years you have obtained contracts from subscribers where A.D.T. was bidding on the same job?

A. I imagine so. I can't think of any specific instance but the possibility is there.

Q. Let's see if I can help you.

A. All right.

[fol. 8535] Q. You will have to bear with me for a moment. Would it refresh your recollection if I suggested that in May of 1958 you obtained a contract from Krupp Mailing Service of Los Angeles as against A.D.T.?

A. Yes, it certainly does. I am glad you brought that up.

Q. Would it also similarly refresh your recollection if I stated that you procured a contract in bidding against A.D.T. from R. J. Sargent and Company in September of 1958?

A. Yes.

Q. And from Lee Herman, Inc., in 1958, Lee Herman, Incorporated?

A. No, I am not familiar with that name.

Q. Burglar alarm in Los Angeles?

A. Well, I am not familiar with the name of the account, no. I mean, it could be——

Q. It doesn't ring a bell with you, is that right?

A. He might be a "d.b.a." some other name.

Q. How about Modern Era Lamp Manufacturing Company in February of 1959?

A. Yes.

Q. This is a nostalgic thing: Bartenders' Union, Local 284?

A. Yes. There were many bids on that. Many companies [fols. 8536-8538] were in on that one.

Q. How about the others that I mentioned? Were there other people bidding on them, too?

A. I know Bartender's Local because A.F.D.——

Q. That is American Fire Dispatch?

A. Yes. American Fire Dispatch was up there, and their salesman went on the premises. We don't know who we

are bidding against. We got the bid. We got the job, and we were putting the job in, and the salesman came up there and tried to stop our men from putting the job in. He went to the business agent and said that we weren't a union company, and the business agent called the union and found out we were still in our union contract, and just told him to leave the premises.

Q. This was the salesman of the American Fire Dispatch Company?

A. Yes, American Fire Dispatch, that's right.

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[fol. 8539] Q. Was there ever a time when you rendered a silent alarm service through a medium other than a central station on your own premises?

A. Yes. Prior to 1955.

Q. How was that done?

A. Well, we used the answering services around town.

Q. For how many years did you do that?

A. I believe about two years.

Q. Did you use various of the telephone answering services?

A. Yes.

Q. Or just one?

A. No. It depended on the location.

Q. On the location?

[fol. 8540] A. Yes.

Q. In order to enable you to render the service at the subscriber's premises?

A. That is correct. For the line charge involved by the telephone company.

Q. There are a great many of those telephone answering service organizations in the City of Los Angeles today, are there not?

A. Yes.

Q. They have increased over the years?

A. I believe they have, yes.

Q. And practically all of them do some amount of this receipt of signals from the subscriber's premises for protective service purposes, do they not?

A. There are a large number. I don't know the exact number, but I know many of them engage in it.

* * * * * * *

[fol. 8541] Q. Have there been some other instances that you know of in which your company has been the successful bidder against A.D.T.?

A. No, not to my recollection right at this moment. When Mr. Miller estimates an alarm he goes out, sees the subscriber, or the potential subscriber, and tells him what protection we are going to put in and writes it on the contract, and the subscriber either signs it at that moment or it is held off for somebody's approval.

Very seldom do we go back and see a subscriber the second time. So at that time, when Mr. Miller brings in the contract, or he is on the premises, we have no idea if anyone else is bidding on the job or not. We are not interested. We have too many places to run to to stop and fill out reports of who got the alarm or who didn't get the [fol. 8542] alarm.

Q. Would it strike a recollective note on this same subject if I mentioned Wallace Jewelry?

A. Yes.

Q. In November, 1960?

A. Yes.

Q. You procured that contract as against A.D.T.'s bidding, did you not?

A. Yes.

Q. How about Louis Levin & Son, Inc., in jewelry, 1960?

A. Louis Levin was one of our old local alarm accounts, and he moved and wanted a central office when he went into his new building, although I didn't know—we didn't know A.D.T. was bidding against us, and I don't believe we knew that A.D.T. was bidding against Wallace Jewelers.

Q. How about Fedco, Inc. in September, 1960?

A. Yes. They have been one of our accounts for, oh, maybe seven, eight years, I believe, with a local alarm.

Q. So that must have been a renewal situation?

A. Yes. They moved into a new building, and we installed their new warehouse in 19—the summer of 1959, I believe it was.

Q. Well, those are some of them, at any rate, aren't [fol. 8543] they?

A. Yes.

Q. Now, is it similarly true that you were successful in some instances in securing contracts in competition with Morse and American Fire Dispatch Company?

A. Evidently it is, if they keep records and they know, because we don't know. We don't know who we are bidding against. We just give them a bid, and Miller walks in and walks out. They either sign or they don't. We don't fool with them. He has too many jobs to do in the company besides taking care of sales. Unless a subscriber voluntarily states that he has other bids, we have no idea there are other companies in bidding.

Q. Are there organizations here in the City of Los Angeles who provide neither local burglar alarm service or central station alarm service but furnish manpower protective service in the form of watchmen and guards?

A. Yes, there are.

Q. Who are they?

A. Some companies, I mean.

Q. Who are they?

A. I believe there is one company called Southern Patrol, which we used to own many years ago, and it is just a watchman service. And Nick Harris Detectives is another watchman service.

Q. How about General Plant Protection?

[fol. 8544] A. Yes, that is another one.

Q. They do a great deal of that, do they not?

A. I am not to familiar with General Plant. I know they are on the same premises as Protection Engineering, but it never dawns on me because we are dealing with alarms.

Q. How about Pinkerton and Burns?

A. I didn't even know Pinkerton was out here, and Burns I am not familiar with.

Q. But there is some type of service of the kind I mentioned?

A. Oh, yes. There are companies that do strictly patrol service, yes.

Q. Do you encounter them in connection with your efforts to sell local burglar alarm service?

A. Yes.

Q. They bid for the service, do they?

A. Yes.

Q. Sometimes you win, sometimes they win?

A. Well, usually they will have both. If they are really worried about their premises they will have a watchman stop by two or three times a night besides having the alarm.

Q. Are there instances in which they take one to the exclusion of the other, to your knowledge?

A. To my recollection at this moment I can't think of any account we have lost to a watchman service in the last— [fol. 8445] I just can't think of any accounts we have lost lately at all, or even back I can't think of any.

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Q. Are you a member of any protective service associated here, local, state or national?

A. What was the first part of it?

Q. Any protective service association, trade association, either local——

A. Do you mean large associations? We have a large association.

Q. Are you a member of that?

A. Yes.

Q. What is the name of that association?

A. It is called the Burglar Alarm Association of California.

Mr. Gold: Southern California.

The Witness. Southern California.

[fols. 8546-8547] Mr. Fritz.

Q. Is that the one that presently is headed, or in the sense that he is president, by Mr. Weinstock?

A. Yes, that is correct.

Q. Does the membership of that organization comprise people engaged in local and also central station protective service?

A. Yes.

Q. Does it include as its members most of these 55 or 56 permitees?

A. No, it does not include most of them.

Q. Some of them?

A. About 13 or 14, I believe. Most of these 55 permitees are under license to come into Los Angeles and engage in burglar alarm work. We have companies in the East part of town, Pomona, or El Monte. They are licensed, and that is their headquarters, in El Monte, and they just come in to pick up the alarm. But they must be licensed to come in to Los Angeles. So they would not belong to our association.

Q. In the sense that their place of business is not actually here?

A. Yes, that is correct.

Q. Is that association the only one of which you are a member?

A. Yes.

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[fols. 8548-8550] Cross-examination.

By Mr. Levy:

Q. Mr. Leeper, would you state the reasons which prompted your company to seek certification from Underwriters' Laboratories?

A. Yes. As you know, we have been in the local alarm business for some time, and we were getting many calls to go into central—for central alarms, and we realized we were losing a lot of business. And that was the time we went into central station alarms. And now we are losing business by just having ordinary central station alarms. They must be approved, we understand, by Underwriters' because certain business establishments must have certificates in order to obtain insurance prēmium discounts, so we are more or less forced to do it, to go along with the——

Mr. Gold: May we go off the record for a minute.

(Whereupon a discussion was had off the record.)

Mr. Levy:

Q. You stated that you were losing a number of subscribers because you could not furnish accredited service?

A. Yes.

Q. And this is basically what prompted you to seek certification?

A. Yes.

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[fol. 8551] Q. Now, is it economically feasible for your company to provide central station fire alarm service without this certification?

A. No.

Q. Why is that, sir?

A. Because when you have an approved fire alarm system your discounts, I believe, can go from—even as high as 40 or as high as 55 or 60 per cent on your premium, dependent upon the merchandise that you store in your place of business. So without a certificate you would not receive a discount on your insurance premium.

Q. Do you have any central station fire alarm accounts or sprinkler supervisory accounts?

A. Yes.

Q. How many, sir?

A. Two or three?

Q. Why don't you have more than those?

[fol. 8552] A. Well, these are hooked in with the burglar alarm system, and these people have an alarm with us because economically it is feasible for them, because they can't afford to have an approved system. They will just take a chance that when a fire comes along, that it will report to us as quickly as it would on an approved system. So for us to go in the fire alarm business at this time, without having the suitable—a suitable building, there would be no point to it because we couldn't issue a certificate.

Q. And you couldn't compete effectively with companies——

A. No. We couldn't compete at all with competition.

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[fol. 8553] Q. Since your entering into the central station burglar alarm business have any of your subscribers switched from central station burglar alarm protection service to a local alarm service?

A. Well, I believe we have had maybe one or two, because of the economics involved. That is, the monthly service charge of, say, maybe $20 or $25 is too steep for them, and they just feel that they want to cut their overhead. But that would be the only one or two cases I could think of, and the only ones that would—the only two that would [fol. 8554] do that, because of the money involved.

Q. That is, since 1955, approximately?

A. As far back as I can remember, I think we have only had one or two.

Q. Has your company obtained as a central station burglar alarm subscriber a subscriber who previously had previous burglar alarm service?

A. I didn't understand that.

Mr. Levy: Strike that.

Mr. Fritz. Had a local subscriber changed from a central station subscriber?

The Witness: Oh, yes. Our existing subscribers changed from their local to our central station, yes.

By Mr. Levy:

Q. But, on the other hand, you don't have many changing from central station to local?

A. No. Just one or two, because of the money involved.

Q. Now, have any of your central station burglar alarm subscribers discontinued that service with your company and switched to a watchman-type service?

A. No, I don't—not to my recollection, no.

Q. On the other hand, have subscribers of yours to central station burglar alarm service been previously protected by watchman and switched to your central station burglar alarm service?

A. Yes.

[fol. 8555] Q. Approximately how many have switched from watchman service to central station burglar alarm service, a rough estimate, sir?

A. Well, as I say we don't keep records of this type of thing, no more than we keep records on the bids we lose. I just wouldn't know how many would change from watchman service to an alarm service.

Q. Could you just give me a very rough approximation?

A. When someone calls us on the phone and asks for a burglar alarm we have no idea whether they have a service or not with a watchman or whether they have service with somebody else. I wouldn't know the reason that they take our alarm.

Q. But you stated that some apparently have switched from watchman service to central station burglar alarm service?

A. Oh, yes.

Q. Now, when your company was engaged solely in the local burglar alarm business—I believe that it was prior to 1950—did you make referrals of customers to central station companies?

A. Yes.

Q. What type of protection were these people interested in, sir?

A. They called us for central station burglar alarms, and we couldn't, of course, at that time furnish service to [fol. 8556] them.

Q. Now, to what central station company did you refer these subscribers?

A. Everyone was referred to A.D.T.

Q. Now that you have entered the central station business, Mr. Leeper, have local companies referred central station subscribers to you?

A. Yes, there are several local companies in town that have referred central station accounts to us.

Q. To your knowledge, does the American District Telegraph Company engage in the local alarm business in the City?

A. Yes. They have a few local accounts.

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[fol. 8557] Redirect examination.

By Mr. Fritz:

Q. Mr. Leeper, have these 2,000 local burglar alarm installations, many of which have been in force since 1924, been an effective means of protecting your subscribers' premises?

A. Yes.

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[fols. 8558-8559] Recross-examination.

By Mr. Levy:

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[fol. 8560] Q. Now, comparing central station burglar alarm protection service with local alarm service, which type of service is superior as far as protection afforded is concerned?

A. Central station alarm service.

Q. Can you think of any instances recently when a subscriber's premises was burglarized and that subscriber had a local alarm service?

A. Well, I cannot think of a specific case but once in a while they break in, chop a hole through the wall, come [fol. 8561] in and start to pile up merchandise until they open an inner door, and at that time the alarm would probably ring, you know, and scare them off, but I can't think of any loss we have had recently, in the more recent months.

Q. But there have been losses?

A. Yes.

Q. Would you say that there are more losses from local alarms than from central office?

Mr. Fritz: I object to the form of the question.

Mr. Levy: Strike the question.

Q. Which type of service has experienced more losses: Central office or local?

A. Of course our volume is in local alarms, but we know more about the central office burglars because we usually catch them.

Q. You usually catch a central office burglar?

A. Oh, yes.

Q. Is that true with a local alarm system?

A. A local alarm system is just there for psychological purposes. It doesn't catch anybody.

Q. Are there certain areas in this City in which you would not recommend installing a local alarm?

A. Oh, yes.

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[fol. 8562] Redirect examination.

By Mr. Fritz:

Q. Your experience over the past 15 years with local alarm service and its protection of subscribers' premises has been very good, hasn't it?

[fol. 8563] A. Yes.

Q. And conversely, premises that are protected by central station protective service have been burglarized and broken into, too, have they not?

A. They have been broken into, yes.

Q. And you know that that is true of the central station protective service of other companies, do you not?

A. Yes, I do know that.

Q. All protective service, whether it is local or whether it is central station, or direct-connected, and in the field of fire, every known type of protective device, they all have as their one common object the protection of life and property, or both, do they not?

A. Yes.

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[fols. 8564-8568] Q. One of the functions of a local burglar alarm is to create enough sudden noise or other types of signals to scare off the intruder, isn't that right?

A. Yes.

Q. And the ultimate object in the business is not to apprehend the burglar but it is to protect the subscriber's property, isn't that right?

A. Yes.

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[fols. 8569-8570] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W46a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

Deposition of: VICTOR R. ZAHN

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of VICTOR R. ZAHN, taken by and before Daniel Solimine, a Notary Public and Certified Shorthand Reporter of the State of New Jersey, in the Federal Building, Room 489, Newark, New Jersey, on Tuesday, May 7, 1963, commencing at 10:10 a.m.

* * * * * * *

[fol. 8571] VICTOR R. ZAHN, sworn.

Direct examination.

By Mr. Williams:

Q. Mr. Zahn, are you connected with any business organization that renders electric protective service?
A. Yes.
Q. And what organization is that, sir?
A. Victor Burglar Alarm Company.
Q. Is that a corporation?
A. The "Company" is written out. It's a corporation.
Q. And where is that located, sir?
A. 836-40 Van Houten Avenue, Clifton.
Q. Besides the Victor Company are there any other

companies that you are associated with that are in the business of furnishing some type of electric protective service?

A. We have other corporate names. We have a division called Instantaneous Electric Alarm Company. It is wholly owned by Victor Alarm Company. They are at 137 Main Street, Metuchen.

Q. What type of business is the Victor Company engaged in?

A. Leased installations and service of electric protective systems.

Q. And what type of business is the Instantaneous Alarm Company engaged in?

A. The same business. It is all under one set of books actually.

[fol. 8572] Q. They all have the same employees?

A. Same employees.

Q. And the same corporate officers?

A. Same corporate officers.

Q. Now, going back to the Victor Company, specifically what types of electric protective service does it provide?

A. Burglar alarm systems, water flow systems, fire alarm systems, holdup alarm systems, cargo protection systems.

Q. Does it provide any type of industrial process supervision service?

A. Yes.

Q. Cargo protection systems, does that mean alarm systems that are connected to motor vehicles, freight carrying motor vehicles?

A. Freight carrying motor vehicles.

Q. Now, with respect to burglar alarm service as furnished by the Victor Company, what types of burglar alarm systems does it install?

A. We have what we call standard and U. L. approved.

Q. Are these both local type systems?

A. Basically they are local bell alarm systems.

Q. What is the difference between the standard and the approved?

A. The standard is actually nonapproved. Standard is a better sounding word.

[fol. 8573] Q. Well, what is the difference between the

systems that you put in that are Underwriters' certified and those which are not?

Mr. Morrison: I object. We have not established that there is any real difference.

Q. Well, is there such a difference, Mr. Zahn?

A. The approved, the U. L. approved systems follow Underwriter Laboratories standards, whereas the non-approved systems could be substandard or more extensive. We have a greater latitude in installations.

Q. Approximately what proportion of your local burglar alarm systems have been issued Underwriter Laboratories certificates?

A. As of January 1, 1963, we had 274 U. L. approved systems.

Q. And that was out of a total of how many local burglar alarm systems, approximately?

A. I could give it to you exact: 3,432.

Q. Now, Mr. Zahn, of these approximate 3,400 local burglar alarm systems, are there any of those that have connections by leased telephone line to any other point?

A. Yes; approximately 570.

Q. And to where would these systems be connected? What I mean is what type of place do they go to, the connections?

A. In the main, they go to police headquarters; some to fire headquarters; some to subscribers' residences; some to [fol. 8574] telephone answering services, and some to central office. May I supplement that further? Some to adjacent business premises.

Q. Are you an officer of the Victor Company, sir?

A. I'm president.

Q. What other officers are there?

A. Richard A. Zahn, vice president; I'm also the treasurer; and Walter Van Dycke, secretary.

Q. How long has the Victor Company been in the alarm business?

A. The company was initially started in 1920 and was incorporated in its present form in 1948.

Q. Has it been engaged in substantially the same line of business since its beginning?

A. Yes.

Q. Has it always been located in Clifton?

A. It was formerly in Passaic, New Jersey. It is now located in Clifton and Metuchen.

Q. You have the branch office in Metuchen?

A. That's right.

Q. Does your firm presently provide any type of watchmen supervision service?

A. Watchmen tour systems.

Q. It does provide that type of service?

A. Yes, to a small extent.

[fol. 8575] Q. Mr. Zahn, I show you this paper entitled Victor Burglar Alarm Company marked with what I believe is your handwriting "specimen" across the face of it. Is that the standard form of contract that is used presently by the company?

A. That is the only form of contract we use. We have another contract which is marked Instantaneous Electric Alarm Company other than Victor Burglar Alarm Company. And the only other type we have would be a supplemental agreement to this. I have a copy here for you, specifically for additional work items.

Mr. Williams: Mr. Solimine, would you mark the contract as Defendant's Exhibit 1 for identification.

(Specimen of contract of Victor Burglar Alarm Company marked D-1 for identification.)

Mr. Williams: And the amendment form as Defendant's Exhibit 2 for identification.

(Amendment form marked D-2 for identification.)

Q. Mr. Zahn, has this contract been in use by the Victor Company in substantially the same form for the past five or six years?

A. Yes, it has.

Q. Does it provide for the retention of ownership by your company of the equipment that is installed on your [fol. 8576] subscribers' premises?

A. It states that the equipment is leased to the subscriber.

Q. And what is the usual term of your contract with your subscribers, the length?

A. One year unless otherwise requested by the subscriber.

Q. Is the contract automatically self-renewing if no action is taken?

A. For further periods of one year.

Q. Now, Mr. Zahn, do you have with you summary figures of the Victor Company's alarm revenue for the past several years?

A. I have the gross receipts, yes.

Q. Do you have those available with you now?

A. Yes, I do.

Q. Now, what is the first year that you have?

A. I've gone back to 1955.

Q. All right, let's take that first. And what is the dollar figure for 1955?

A. Do you wish to have this in gross receipts or service revenue?

Q. Well, I would like the service revenue first and then the gross receipts after.

A. 1955 gross service revenue, $132,592; gross revenue, $180,602.

Q. 180,602?

[fol. 8577] A. Yes. I've left off the pennies.

Q. Right.

A. 1956 gross service revenue, $144,481; gross receipts, $200,916; 1957 gross service, $154,927; gross receipts, $208,431; 1958 gross service, $166,963; gross receipts, $227,401; 1959 gross service, $194,469; gross receipts, $269,452; 1960 gross service, $213,407; gross receipts, $293,599; 1961 gross service, $221,728; gross receipts, $315,217; 1962 gross service, $252,680; gross receipts, $400,491.

Q. Now, Mr. Zahn, the first figure that you gave us for each year, which is your gross service revenue——

A. Yes.

Q. —is this the recurring revenue that you get from——

A. This is our maintenance and rental charge.

Q. Now, what is the significance of the difference between the two figures for each year? What does that represent?

A. That would be installation charges, additional work charges, alteration work charges and miscellaneous charges.

Q. And these are generally one-time charges?

A. Initial charges.

Q. Mr. Zahn, do you have with you figures that would

show the approximate number of your subscribers for each of the same years?

[fol. 8578] A. Contract accounts?

Q. Yes.

A. I can go back to 1959 on this. It wasn't possible to reconstruct further than that. Up to 1962, these are close approximations. 1959 is 2,860 accounts; 1960 would be 3,048 accounts; 1961 would be 3,167 accounts; 1962—this is an accurate figure—3,432 accounts.

Q. Now, you told us earlier, sir, that at the present time approximately 570 of your accounts have some type of connection off premises. Has the proportion of those accounts been growing in the past five years, that is, the proportion to the total?

A. I can start at 1960 on this.

Q. All right.

A. It's approximations. 1960 is 397; 1961 is 428; 1962 is 570.

Q. And just to let me restate it: the last three figures that you have given represent the number of accounts that have off premises connections by means of leased telephone lines?

A. That is correct. Are you interested in those revenues?

Q. Yes. These will represent the revenues for the years 1960, 1961 and 1962 for these——

A. 1960 the off premises receipts were $49,085; 1961 was $54,892; 1962 was $75,600.

[fol. 8579] Q. Mr. Zahn, based on your familiarity with the company's books and records and its rendering of service, could you estimate approximately the number of these accounts at the present time—and I am talking about these accounts that have off premises connections—that have been issued Underwriter Laboratories certificates by your firm?

A. This will have to be just a guess. Not all the off premises circuits are Underwriters approved. And by the same token not all Underwriter approved systems have off premises.

Now, of the 570, I'd say that possibly 170 of them would be U. L. approved.

Q. Approximately when was your company first approved

by Underwriters for furnishing approved local burglar alarm service?

A. 1931. I elaborate on that. We formerly operated a company called New Jersey Merchants Protective Company in Newark, and the approval was obtained or brought into our company through that company in 1931. The Victor, I believe, had their first U. L. approval back in 1945. And Instantaneous also has approval since 1952.

At present there are only the two U. L. approvals, Underwriter Laboratory approvals, Victor and Instantaneous.

Q. Approximately how many employees does your firm have, sir?

A. We have 33 employees.

[fol. 8580] Q. These are people who are full time?

A. Of which two are part-time.

Q. And these people are engaged, I take it, in installation and servicing of your accounts?

A. This is an overall figure, including office personnel, administrative.

Q. About how many of these would you estimate are engaged in the active—what I mean, the technical end of the business as distinguished from the bookkeeping and financial end?

A. About 28.

Q. And does that include sales people?

A. Some people double up on sales; some are installation people.

Q. Do you have any employees who are engaged solely in the sales?

A. Yes, we do. We have three, not including my brother and myself.

Q. Your brother and yourself engage in it from time to time with specific accounts?

A. Yes, we are.

Q. Now, sir, could you describe for us in general terms the geographic area in which your company operates?

A. Yes. Starting north we cover Orange and Rockland County and New York State. We have accounts as far [fol. 8581] north as Port Jervis, the eastern fringe of Pennsylvania, starting at Stroudsburg, Bethlehem, Allentown, then into Philadelphia, Norristown and Bristol. We're in Staten Island, New York.

In New Jersey we cover the entire state with the exception of the Atlantic City area, counties—what is it? Atlantic County—well, the southern tip of New Jersey we don't cover.

Q. Now, within the area that you just described to us, you furnish both local burglar alarm service and alarm service which has direct connections to police and fire departments?

A. Yes. I might exclude Pennsylvania from that for police and fire departments.

Q. In other words, that would be limited to New Jersey?

A. And New York.

Q. And New York.

A. It's not a limitation. We never actually had a call for that type of service.

Q. In Pennsylvania?

A. In Pennsylvania.

Q. Mr. Zahn, I am going to read off a list of cities and municipal areas, and if you furnish direct connected service in that, will you just answer yes to each name that I read off? If you don't furnish it, will you answer no to it?

I'm going to start with New Jersey. Until I say otherwise, it will be New Jersey. Camden?

A. No.

[fol. 8582] Q. Gloucester?

A. No.

Q. Pennsauken?

A. Possible. Some of these now I may be vague now which are handled by our Metuchen office.

Q. Woodland?

A. No.

Q. Jersey City?

A. Yes.

Q. Bayonne?

A. No.

Q. Edgewater?

A. Yes.

Q. Fairview?

A. Yes.

Q. Fort Lee?

A. Yes.

Q. Hoboken?

A. Possible.
Q. North Bergen?
A. Yes.
Q. Palisades Park?
A. Yes.
Q. Ridgefield?
A. Yes.
Q. Secaucus?
A. Yes.
Q. Union City?
A. Yes.
Q. Weehawken?
A. No.
Q. West New York?
A. Possible.
Q. Newark?
A. No.
Q. Arlington?
A. We're talking strictly police and fire headquarters now.
Q. Yes.
A. Newark, of course, we have another arrangement.
Q. Right. Now, the next one is Arlington?
A. No.
[fol. 8583] Q. Avenel?
A. Possible.
Q. Belleville?
A. Yes.
Q. Berkeley Heights?
A. Yes.
Q. Bloomfield?
A. Possible.
Q. Carteret?
A. Yes.
Q. Clark Township?
A. No.
Q. Cranford?
A. Possible.
Q. Deal?
A. Yes.
Q. East Hanover Township?
A. Possible.

Q. East Newark?
A. Possible.
Q. East Orange?
A. Yes.
Q. Elizabeth?
A. Yes.
Q. Garwood?
A. Possible.
Q. Glen Ridge?
A. No, not Glen Ridge.
Q. Harrison?
A. No.
Q. Highland Park?
A. Yes.
Q. Hillside?
A. Hillside, no.
Q. Holmdel?
A. Possible.

Mr. Morrison: Excuse me. Do you know which cities that you have off premises connections in the fire department and police department? When you say "possible," are these guesses?

The Witness: When I say "yes," we definitely have connections in the city. When I say "no," we definitely do [fol. 8584] not have them. When I say "possible," it is beyond my knowledge at this moment. The name is familiar. It seems that wo do. It seems to me that we do have accounts presently tied into those headquarters but I'm not sure.

(Discussion off the record.)

Q. Irvington?
A. Yes.
Q. Kearney?
A. Yes.
Q. Kenilworth?
A. Yes.
Q. Linden?
A. Yes.
Q. Lyndhurst?
A. Yes.
Q. Maplewood?

A. Possible.
Q. Middlesex?
A. Middlesex, yes.
Q. Millburn?
A. Millburn, yes.
Q. Milltown?
A. Milltown, possible.
Q. Montclair?
A. Montclair, no.
Q. Morris Plains?
A. No.
Q. Morristown?
A. No.
Q. Murray Hill?
A. No.
Q. New Brunswick?
A. Yes.
Q. New Providence?
A. No.
Q. North Brunswick?
A. Yes.
Q. North Plainfield?
A. Yes.
Q. Orange?
A. Yes.
Q. Perth Amboy?
A. Yes.
[fol. 8585] Q. Plainfield?
A. Yes.
Q. Port Newark?
A. No.
Q. Rahway?
A. Yes.
Q. Roseland?
A. No.
Q. Roselle?
A. Yes.
Q. Roselle Park?
A. Possible.
Q. Scotch Plains?
A. No.
Q. Sewaren?

A. Possible.
Q. South Kearny?
A. No.
Q. Springfield?
A. Yes.
Q. Stirling?
A. No.
Q. Summit?
A. Possibly.
Q. Union?
A. No.
Q. Upper Montclair?
A. No.
Q. Westfield?
A. Yes.
Q. West Orange?
A. Yes.
Q. Whippany?
A. No.
Q. Woodbridge?
A. Yes.
Q. Paterson?
A. And Wood Ridge we have, too. Paterson, yes.
Q. Allwood?
A. Allwood is part of Clifton, yes.
Q. Bogota?
A. Bogota, yes.
Q. Carlstadt?
A. Yes.
Q. Clifton?
A. Yes.
[fol. 8586] Q. East Paterson?
A. Yes.
Q. East Rutherford?
A. Yes.
Q. Fair Lawn?
A. Yes.
Q. Garfield?
A. Yes.
Q. Glen Rock?
A. Yes.
Q. Hackensack?

A. Yes.
Q. Haledon?
A. No.
Q. Hawthorne?
A. Yes.
Q. Little Falls?
A. Yes.
Q. Lodi?
A. Yes.
Q. Maywood?
A. No.
Q. Nutley?
A. No.
Q. Paramus?
A. Yes.
Q. Passaic?
A. Yes.
Q. Ridgefield Park?
A. Yes.
Q. Rutherford?
A. Yes.
Q. South Hackensack?
A. No.
Q. Teaneck?
A. Yes.
Q. Teterboro?
A. No.
Q. Wallington?
A. Yes.
Q. West Paterson?
A. No.
Q. And here's Wood Ridge.
A. Yes. I might add that a lot of these towns do not have 24 hour police departments, the ones where I have said no.
Q. Where you have indicated no. Trenton?
[fol. 8587] A. No.
Q. Ewing Township?
A. Yes.
Q. Hamilton Township?
A. Possible.
Q. Lawrence Township?

A. No.

Q. Mercerville?

A. Possible.

Q. Now, in New York State, sir, Nyack?

A. In New York we have Suffern and Port Jervis.

Q. Those are the only two?

A. Yes.

Q. What about in Staten Island?

A. I'm not sure in Staten Island. In fact, at this point I say I doubt if we have in Staten Island.

Q. Now, within the area of your company's operations in the State of New Jersey, sir, are there any central stations?

A. Yes.

Q. Could you list for us the ones that are within your company's area of operations and what company operates them?

A. Well, of course, A.D.T. in Paterson, Jersey City, Newark, New Brunswick and Trenton, and others that I might know about; Newark District Telegraph in Newark; Electro Protective Corporation in Newark. Then I believe there's a new one which represents central station, Schirmer-National in Bergenfield, New Jersey. To my knowledge that's it.

Q. Does your firm, the Victor Company, manufacture any of its own equipment?

[fol. 8588] A. Some.

Q. Does it manufacture the devices that are used on subscribers' premises?

A. To some extent.

Q. Could you tell us what type, just in general terms?

A. Miscellaneous contact devices, zone monitor panels, some control panels, transmission devices for off premises circuits.

Q. Let me go back a moment. Does your firm provide what is commonly known as proprietary alarm service?

A. Would you explain your interpretation of "proprietary?"

Q. All right. The meaning I attribute to the word proprietary" is a system of devices located on a subscriber's premises and connected to a central indicating panel or

console either located on that premises or at some central point but still under the supervision of the subscriber.

A. Within the complex of subscriber's premises.

Q. Yes.

A. Yes, we do.

Q. Does your firm do a substantial amount of this work?

A. Oh, I would say we have maybe 25 or 30 at present, and we are coming into more and more of this type of work.

Q. Are these 25 or 30 proprietary jobs that you have located in the State of New Jersey?

A. Yes, they are.

[fol. 8589] Q. To your knowledge are any of them located within the servicing range of any of the central stations that are operated in the State of New Jersey?

A. Yes, they are.

Q. Are all of them located within——

A. Not all.

Q. About how many of them are would you estimate?

A. Possibly three-quarters of them.

Q. Are located within central station operations?

A. Within the range of central station operations.

Q. Could you at the moment recall the names of any of these subscribers?

A. Johnson & Johnson, New Brunswick; Revlon, Inc., in Edison, Passaic, Irvington; I.T.&T. facilities, Nutley, Paramus; Boonton Radio, Rockaway Township. And there are others that escape me for the moment.

Q. Are any of these installations located in large department stores?

A. Any of these proprietary arrangements?

Q. Yes.

A. No, not in the sense that you mean.

Q. How long has your company been furnishing this type of proprietary service?

A. I think that within the last five years we have started developing this type of service.

[fol. 8590] Q. From what companies does your company generally buy its alarm devices and equipment?

A. Our suppliers?

Q. Yes.

A. Walter Kidde, Mosler, Diebold, Ademco, New Jersey

Fire Alarm, which is owned by N.D.T. You are not concerned with miscellaneous items, such as batteries——

Q. No. I mean the type of equipment that is peculiar to this business.

A. The components. That's about it.

Q. If a subscriber terminates his contract with your company, is it your company's policy to remove your equipment from his premises?

A. Yes, it is.

Q. Have you done this?

A. Yes, as far as we can.

Q. Mr. Zahn, could you describe for us how you determine what your installation charge would be on a given premises?

A. Basically on most installations we try to cover our labor of installation, plus an amount for depreciation and loss of equipment and equipment which can never be reclaimed from the premises. If you want this specifically, we have certain rule-of-thumb figures that we apply to different types of openings or supplemental devices.

Q. Well, would you explain what you mean by that? I'm [fol. 8591] not sure that I understand it.

A. A typical installation is comprised of accessible openings into a building wherein we price different types of openings, windows, doors, skylights, transoms, hatches, and so forth, at certain charges, which our salesmen are instructed to add up. Then an alarm system or installation in addition to the accessible openings can be supplemented by interior protection, wall and ceiling protection, electronic devices, zoning systems, and so forth, all of which have established prices within our firm. Off premises circuits have a set price which are added to the installation wherein we transmit alarms beyond the premises itself. Then, of course, our service rates are predicated on the extent of protection we are covering.

Q. Do I understand by that that if you have, for example, more and more complex equipment installed in a particular subscriber's premises that his service rate would be higher than normal?

A. Yes, it would.

Q. And is that because of the possibility of having to make additional or above average number of service calls during the year?

A. Yes. There's two reasons. When we use the more elaborate equipment in a place, there is a higher incidence of maintenance, plus we are using a more expensive type [fol. 8592] of equipment which requires a higher rental.

Q. Who in your company is responsible for the final price that is quoted to each prospective customer on installation and service?

A. My brother and I check all prices as contracts come through.

Q. And this is before the price is given or the quoted price is given to the customer?

A. In some cases we are asked to verify the price before our salesman quotes. In most cases we check the price after the contract is negotiated. Specifically on routine installations, we check the price after.

Q. And on the more complex?

A. And the more complex installations our salesmen ask us for a verification of price.

Q. But in general on the routine jobs, the pricing is essentially a matter of counting up the number of openings and type of openings and protection that is desired, and the salesman does this?

A. That is correct. And in our checking we estimate the time or labor necessary to complete the installation.

Q. The salesman also estimates that?

A. Yes, he tries to.

Q. And would this vary substantially depending, for example, on the type of construction of the building?

[fol. 8593] A. The construction of a building, the architecture of a building, the housekeeping of a building all determine the price.

Q. And is this something that has to be determined on the basis of experience and past practice?

A. It is all determined on experience. We cost account our installations, so we learn through mistakes.

Q. In the past 10 years, sir, has your company's prices for monthly or annual service increased generally or decreased?

A. There has been a slight increase. We formerly had a policy within the company of a minimum monthly rate of four dollars per month. That is now five dollars per month. And we classify that as a minimum for business

hour service or response only. A minimum for 24 hour response is eight dollars a month. Now, these are for basic installations, and the prices are rated upward as to the number of openings or equipment added.

Q. These figures that you have just given us relate to local burglar alarm service just sounding on the premises——

A. Relate to local bell alarms only.

Q. Now, with respect to police and fire department connections, what are the basic monthly rates on that?

A. Up till the past year we were adding five dollars per month to the basic bell alarm rate. We are now adding six dollars per month. I might add that our rates do not [fol. 8594] include leased telephone line charges nor do they include federal taxes that become applicable.

Q. Do you bill the subscriber for the line charge or does he pay directly to the phone company?

A. He pays it directly to the telephone company.

Q. In other words, the line is leased in the subscriber's name, not in your company's name?

A. Correct; charged to his telephone bill.

Q. Well, what is in New Jersey in the area in which you operate the telephone company's charge for, say the first mile, the leased line?

A. They charge 75 cents per quarter mile per month plus tax with a two dollar per month minimum charge.

Q. Do you know, for example, what would be the distance, the furthest distance, that you have a subscriber located from a police station or fire station?

A. This is a difficult question, but I know of some cases that run 10 miles.

Q. Do you think there would be any average distance that you could state that your subscribers would be located from their police or fire departments?

A. I would say a good average would be a mile and a half to two miles.

Q. During the past five years I take it your business has shown a steady increase both in number of subscribers [fol. 8595] and in gross revenue?

A. And in services, yes.

Q. Within the New Jersey area in which your firm

operates, does it encounter competition from other firms that are offering some type of electric protective service?

A. We encounter competition from every firm in the business.

Q. Well, could you to the best of your ability give me a list of names of the companies that you encounter in competition?

A. All the competition?

Q. Yes, to the best that you can remember.

A. Well, I'll do it alphabetically. American District Telegraph Company, Atomic Alarm Company, Colonial Burglar Alarm Company, Electro Protective Company, Fair Burglar Alarm Company, Hammond Burglar Alarm Company, Merchants Burglar Alarm Company, Newark District Telegraph Company, Supreme Burglar Alarm, Schirmer-National. One I overlooked, Apex Signal Service. Rapid Burglar Alarm Company, Owl Protective Company. That's basically the bulk of the competition.

Q. Now, let's take them one by one. Does the Apex Company furnish local burglar alarm service?

A. Yes, they do.

Q. Do they furnish any other kind?

A. Direct wire.

Q. By that you mean direct connections to police or fire [fol. 8596] headquarters?

A. Yes.

Q. Now, the A.D.T. Company, what type of service does this company furnish in competition with your company?

A. They provide central office service.

Q. Do they provide any other kind of service within the area that your company operates in?

A. Well, they provide central office service on water flow, burglar alarms, fire alarms, watchmen supervisory. And I have knowledge that they provide local alarm installations as well.

Q. Atomic, is this a local burglar alarm?

A. Atomic is a local burglar alarm company operating out of Clifton, New Jersey. They provide non-Underwriter Laboratories approved installations with some direct wire connections.

Q. Colonial?

A. Colonial would provide both Underwriter Labora-

tories approved and non-approved burglar alarm service with some direct wire connections.

Q. Electro Protective Company?

A. They provide approved and nonapproved local and central office burglar alarm and fire alarm and water flow.

Q. Fair?

A. Fair provides approved and nonapproved local burglar alarm service with some direct wire service.

[fol. 8597] Q. Hammond?

A. Hammond would be the same as Fair.

Q. Merchants?

A. Merchants would be the same as Fair.

Q. Newark District Telegraph?

A. It provides approved and nonapproved central office service for burglar alarms, fire alarms, water flow and also local alarm service.

Q. Supreme?

A. Supreme would be the same as Fair.

Q. Schirmer-National?

A. Schirmer-National provides approved and nonapproved local burglar alarm and fire alarm service. My understanding it is now advertising central station in the Bergenfield or Bergen County area.

Q. Rapid?

A. Rapid provides—I'm not sure of their approval—they provide local burglar alarm service in the Hudson County area.

Q. Owl?

A. Owl provides in New Jersey—Owl happens to be a Long Island and a Philadelphia Company—but in New Jersey they provide local burglar alarm and fire alarm service both approved and nonapproved. Owl also has some direct wire.

Q. Mr. Zahn, in the past five years have the number of companies that are in competition with you increased or [fol. 8598] decreased?

A. They have stayed the same more or less.

Q. You mentioned a few minutes ago that you protected several locations of the Revlon firm. These are proprietary installations?

A. And direct wire.

Q. With a direct wire to police and fire departments?

A. Yes.

Q. When did this firm become a subscriber of yours?

A. They first became a subscriber about a year and a half ago.

Q. And how many locations were involved?

A. We now have them serviced at three locations in Edison, one in Irvington, one in Passaic.

Q. That's five altogether?

A. Yes.

Q. Prior to the time these locations became your subscribers, were they protected by any other company furnishing electric protection service?

A. American District Telegraph.

Q. What type of service was being furnished by A.D.T.?

A. Central station burglar alarm and water flow.

Q. Did your firm put in complete new installations in the Revlon premises?

A. Yes.

[fol. 8599] Q. Does your company protect a store by the name of Sterns?

A. We do cargo protection for Sterns and we have recently acquired a contract for a new Sterns department store in Wayne, New Jersey.

Q. In where?

A. Wayne.

Q. Wayne. Where is that located?

A. Wayne is just west of Paterson.

Q. What type of service will you be providing that store when it is completed?

A. This will be burglar alarm and water flow with direct connections to Wayne Police Headquarters.

Q. Is this location within the operating area of any central station in New Jersey?

A. Yes; within the range of A.D.T.'s Paterson office.

Q. Do you know whether or not the Sterns company is going to receive any insurance premium discounts for the service that your company will provide?

A. I assume so.

Q. Has your company bid on any jobs in connection with the I.T.&T. Company premises?

A. Have we bid on them?

Q. Yes. Or have you received contracts for protective services at I.T.&T.?

[fol. 8600] A. Yes, we have.

Q. Do you know whether you were in competition with any other alarm company for those jobs?

A. We assumed we were in competition with several companies. To our knowledge we only knew of the Owl Protective Company.

Q. What type of service do you offer to I.T.&T.?

A. At some locations we have put Underwriter Laboratories approved systems with direct wire connections to police headquarters and other I.T.&T. facilities we put in proprietary alarms to their own guard stations.

Q. These I.T.&T. locations, were they within the range of any central station that's operating in New Jersey?

A. Yes, they are.

Q. Do you know what ones they were in range of?

A. They are in range of A.D.T.'s Paterson office and within range of the Newark offices of A.D.T., E.P.C. and N.D.T.

Q. Do you know whether or not those companies were bidding on these I.T.&T. jobs?

A. I do not know that.

* * * * * * *

[fol. 8601] Q. To your knowledge, Mr. Zahn, can you think of any subscribers that your company presently has which were obtained in competition with the American District Telegraph Company?

A. Subscribers that we presently have?

Q. Yes.

A. That were obtained in competition. Yes, we do have [fol. 8602] those subscribers.

Q. Can you recall the names of any of them?

A. This again is a difficult question. I can give some names but not all. We have competed with A.D.T. in Larkey Clothing Stores, Wyeth Laboratories, Main Way Warehouse, Revlon, of course, Cuttner Fur Blending Laboratories. And for further names we have to start checking files.

Q. Now, these are subscribers that your company has obtained in bidding?

A. That we have obtained and have since lost in some cases.

Q. Taking them one by one, Larkey Clothing, what type of service was your company offering there?

A. We were offering Underwriter Laboratories approved burglar alarm systems with direct wire connections to police headquarters.

Q. Do you know what A.D.T. was offering?

A. A.D.T. was offering approved central station burglar alarms.

Q. Your company obtained that subscriber?

A. We obtained subscribers originally and we have since lost several locations to A.D.T. after we had provided the service.

Q. You still retain some locations?

A. Some locations, yes.

Q. With respect to Wyeth Laboratories, what type of service is your company offering?

[fol. 8603] A. Approved burglar alarm with direct wire to police headquarters.

Q. And what was A.D.T. Company offering?

A. Approved central station burglar alarm.

Q. Did you get that job?

A. Yes, we did, and we have retained it.

Q. Main Way Warehouse?

A. This would be the same as Wyeth Laboratories, except that we have since lost it to A.D.T.

Q. How long did you have it?

A. Four years.

Q. And how long did you have those locations of the Larkey Clothing Company?

A. Some for over 20 years.

Q. Would Revlon—I think we have the details on Revlon.

A. Yes.

Q. Was A.D.T. offering central station service?

A. Yes, they were.

Q. As a matter of fact, it was presently installed, wasn't it?

A. It was presently installed in some plants, yes.

Q. Cuttner Fur Blending, what did your company offer there?

A. I mentioned Cuttner because this is the most recent. Just a few weeks ago we acquired a contract wherein we [fol. 8604] were bidding only against A.D.T., and we were offering fire and burglar alarm, Underwriter Laboratories approved burglar alarm, into Suffern Police Headquarters, and A.D.T. was offering central station on a retransmission to Suffern Police Headquarters.

Q. And who obtained the subscriber?

A. We did.

Q. A.D.T. was offering central office service?

A. Yes, they were.

Q. In general, have there been other incidents of this competition aside from the five that you have mentioned here now?

A. I would say that we are competing against A.D.T. on an average of a dozen—strike that dozen—on an average of 20 to 30 times a year, that we know of.

Q. And in most of those instances is A.D.T. offering central station service?

A. In practically all those instances.

Q. And, of course, your company is offering something other than central station service?

A. We are offering a substitute for an approved central station.

Q. Of those 20 or 25 times per year, in what proportion do you think you are successful on the average?

A. I would say half the time.

[fol. 8605] Q. Is your firm a member of the National Burglar and Fire Alarm Association?

A. We are a charter member.

Q. And have you been an officer of that Association?

A. Yes, I have.

Q. What position did you hold?

A. I held the office of secretary for two years and president for two years.

Q. What type of firms are members of this Association?

A. These are burglar and—independent and fire alarm companies.

Q. Are there companies that furnish local burglar alarm service members?

A. Yes.

Q. Are there central office companies that are members?

A. Yes.

Q. And are there companies that furnish direct connected and proprietary types of services that are members also?

A. Yes.

Q. As a matter of fact, the membership covers the full range, does it not, of electric protective service companies?

Mr. Morrison: I object.

The Witness: It covers the industry.

• • • • • • •

[fol. 8606] Cross-examination.

By Mr. Morrison:

Q. Mr. Zahn, I wonder if you could tell me the number of purely local burglar alarm installations that your company has?

A. The number of purely local alarms would be about 2,700 approximately.

• • • • • • •

[fols. 8607-8608] Q. You have stated that you have certificated local burglar alarms. Could you tell us what the maximum premium discount as provided in the Manual of Burglary Insurance is?

A. For a local burglar alarm?

Q. For a certified local burglar alarm.

A. I believe it is in the range of 20 per cent.

Q. Could you tell us what the maximum discount as provided in the manual is for central station burglar alarm?

A. I am not familiar with that phase of it, but I believe it is 35 to 40 per cent.

Q. The maximum would be 40 per cent?

A. Yes, sir.

Q. And the maximum for certificated local would be 20 per cent?

A. That's right?

• • • • • • •

[fol. 8609] Q. Have you ever received referrals for fire alarm systems?

A. From insurance companies?

Q. From insurance companies.

A. To my knowledge, no.

Q. Could you tell us why?

Mr. Williams: I'll object to the form of that question.

The Witness: Our basic business for all the years we have been in business has been burglar alarms. Our name is Victor Burglar Alarm Company. I don't believe there is an awareness in the insurance field that we do fire alarm or water flow work, and, further, we are not approved for fire alarm or water flow work.

Q. Your company then has not received approval from the New Jersey Rating Bureau for fire alarm system?

A. Not a blanket approval. However, I suspect that in individual installations there has been some acceptance.

[fols. 8610-8612] Q. To your knowledge have insurance companies requested that a potential subscriber utilize only an approved central station protection burglar or fire?

A. Yes, I've heard that often.

Q. Could you tell us how often to your knowledge this occurs?

A. I'd say it occurs several times a month. This would be on potential work and on existing accounts.

Q. How many direct connect fire alarm subscribers does your company have?

A. This would be an approximation; 25 to 30.

* * * * * * *

[fol. 8613] Q. Do you find that subscribers often request both burglar and fire protection from the same protection company?

A. Yes, we do.

Q. Has your company lost an existing account because it cannot provide approved fire protection?

A. Yes.

Q. Has your company lost a potential account to your knowledge because you cannot provide approved fire protection system?

A. Yes.

Q. Has the fact that you cannot provide approved fire protection affected in any way your ability to compete in the burglar alarm field?

A. In some cases.

Q. Would you explain how this occurred?

A. We find it difficult to compete wherein a central office [fol. 8614] company is offering approved fire protection or detection and burglary in a package deal. We cannot offer the same package deal. We can only offer a substitute, which in many cases does not qualify for insurance purposes.

Q. Have you or any representatives of your company ever referred a potential approved fire alarm subscriber to a central office company?

A. Yes, we have.

Q. Could you tell us how frequently this occurs?

A. At the rate of once or twice a month.

Q. Do you actually compete with approved central station fire alarm systems?

A. No, we do not.

Q. Do other companies other than the Victor Alarm Company maintain space in the panels located in these fire and police headquarters?

A. They maintain in some cases their own panels, and in many headquarters we are sharing panel facilities, either installed initially by the Victor Alarm Company or other companies.

Q. Do some fire headquarters or police headquarters have more than two panels installed?

A. Yes.

Q. Do some have more than three panels?

A. Yes.

[fol. 8615] Q. What is the most that you have found in a police headquarters?

Mr. Williams: Panels by different companies?

Mr. Morrison: Yes, panels by different companies.

The Witness: There can be up to 15 different boxes or panels installed by that many different companies.

Q. Could you tell us some of the companies that occupy space in the police headquarters in which your company has similar alarm panels?

A. Well, every company I listed previously on another question plus some independent organizations, such as electricians—or such as electrical contractors.

Q. Do your employees monitor these alarm panels located in the police department?

A. No, they do not.

Q. Whose responsibility is it to monitor these panels?

A. The attendants, the municipal attendants at the police or fire desks.

Q. Generally how many people are in attendance or monitoring these panels during the day?

Mr. Williams: I'll object to that.

The Witness: Well, most headquarters on a 24 hour basis have a minimum of one attendant. In larger communities [fol. 8616] or cities they have more than one.

Q. In the instances where one attendant is present, is it his sole duty to monitor this panel?

A. No, it is not.

Q. Do you know what other duties he performs?

Mr. Williams: Object to the form of that question.

The Witness: Well, his primary duties would be his police and/or fire duties.

Q. Would you say that monitoring this board is a secondary duty?

Mr. Williams: I'll object to the form of that question.

The Witness: I assume if a city assumes the obligation of having a panel installed, it becomes a primary duty of the attendant.

Q. But he does have other duties?

A. He does have other duties: dispatching city vehicles, operating radio transmitter, and so forth.

Q. Does he handle traffic tickets?

Mr. Williams: I'll object to that.

The Witness: I've never seen that happen. There is generally a separate office with a violation clerk.

[fol. 8617] Q. I believe you testified, Mr. Zahn, that your company manufactures panels for use in direct connect alarm systems; is that correct?

A. Yes, we do.

Q. You have installed these in various cities in the State of New Jersey?

A. Yes.

Q. Do other alarm companies purchase space in these panels from your company?

A. Yes.

Q. When an alarm condition is created in another company's place on the board, does the fire department take the same action as they do when an alarm condition is created on your portion of the board?

A. Yes. All alarm companies are identified on the panel with their emergency numbers.

Q. Police or fire headquarters takes the same action?

A. Yes, they do.

Q. I believe you testified that A.D.T. and Newark District Telegraph and the Electro Protective have direct connect alarm systems going into some of the police departments which your company has paneled; is that correct?

A. Yes, they do.

Q. Has A.D.T., N.D.T. or E.P.C. purchased places on your boards?

[fol. 8618] A. Yes, they have.

Q. In how many cities where you have direct connect panels does A.D.T. also have direct connect panels, either their own or tied into yours?

A. I know of at least 10. This does not include the A.D.T. or N.D.T. or E.P.C. transmission registers.

Q. Could you tell us why a central office company would have a direct connect panel in these cities, these 10 cities, for example, that you mentioned?

Mr. Williams: I'll object to the form of the question.

The Witness: In answering that question I assume it is because they did not sell approved central station service.

Q. Could you name the cities which A.D.T. maintains a panel or part of a panel in a police department in which your company also maintains a panel?

A. I know of Dover, New Jersey, East Orange, New Jersey, where they have purchased space in our panels. I believe in Bergenfield, New Jersey, they have purchased space in another company's panel. I believe in Elizabeth,

New Jersey, they have their own panel. And I have to check our files to find more cities.

Q. You stated that to your knowledge these alarm systems of central office companies, A.D.T., N.D.T. or E.P.C. [fol. 8619] that are received on your panel are not approved central office systems?

Mr. Williams: Wait a second. He said it was an assumption. You said, "to your knowledge."

Mr. Morrison: To your knowledge.

Mr. Williams: I'll object to the form of the question as it stands. It is not in accordance with the testimony that was just given.

The Witness: This was an assumption I made that they are hooked in on a direct wire because they have not sold their subscriber central office service, or, if they have sold central office service, in some cases they are just retransmitting on a direct wire rather than a register.

Q. Now, in Dover, East Orange, Bergenfield and Elizabeth and the other cities that you do not recall, I take it you compete with A.D.T. in the burglar alarm business; is that correct?

A. Yes, we do.

Q. Your company offers direct connect burglar alarm service in these cities; is that correct?

A. Yes.

Q. What type of service is A.D.T. offering in these cities through the panel of the police department?

A. Here again I can only assume that they are offering [fol. 8620] direct connect.

Q. So that you assume that you are not competing with approved central station protection; is that correct?

A. My assumption is based on the fact that I have not learned of the A.D.T. bid for a particular subscriber location or what they have offered. We always assume that we are bidding against A.D.T. on an approved or nonapproved central station service wherein we are offering a substitute direct wire service.

When we see an A.D.T. direct wire up here, we assume that A.D.T. has reduced their bid to the same type of service as ours.

Q. Do you feel that your direct connect service is the

same type of protection as an approved central station protection?

A. No, I do not. I think it's a downgraded substitute. It certainly does not offer the subscriber the same range of burglary premium discounts.

Q. Do you know whether the central station companies who maintain alarms in your panels dispatch their own guards when an alarm signal is received at the police headquarters?

A. I believe they have a guard or serviceman follow-up, but I do think that the primary function of a direct wire connection is for initial dispatching of the police or fire department.

* * * * * * *

[fol. 8621] Q. Mr. Zahn, I believe you testified that you have alarms connected to fire departments, police departments and some adjoining or adjacent premises. Do you connect your lines to any other central place?

A. Other than answering services.

Q. Other than the answering services.

A. In some cases directly to a subscriber's residence.

Q. Do you connect any to any central stations in Newark?

A. Yes; Newark District Telegraph Company.

Q. How many subscribers do you have that are tied into N.D.T. central office?

A. Fourteen.

Q. Could you explain how this works?

A. We made arrangements with Newark District Tele-
[fol. 8622] graph to tap onto their McCullough circuits wherein we have a subscriber that requires more than burglary protection or fire protection. In these cases it would be frozen food supervision. And in areas where we cannot use the facilities of a police or fire headquarters we use a coded transmitter similar to the equipment that N.D.T. uses for their own subscribers.

Q. Could you tell us what action N.D.T. takes when an alarm signal is received in their office?

A. A.D.T. does not respond with their personnel.

Q. N.D.T.

A. I'm sorry, N.D.T. They notify our office of an alarm.

They log in the time of the alarm. And in some cases they log opening and closing times.

• • • • • • •

[fol. 8623] Q. I believe you testified that your company manufactures and installs proprietary alarm systems; is that correct?

A. Yes.

Q. Approximately how many of these have you installed at the present time?

A. I believe I said 20 to 25.

[fols. 8624-8626] Q. Are these all located in New Jersey?

A. Yes, they are.

Q. Has this equipment been approved by the Underwriters?

A. No, it is not.

Q. Do you know whether or not these subscribers receive insurance premium discounts?

A. They do not. These sytems are basically for plant security.

• • • • • • •

[fol. 8627] Q. Could you tell us in the past 12 months the number of approved central station burglar alarm subscribers that have switched to your company for protection?

A. A careful guess would be six to eight.

Q. Approved?

A. Assuming they were approved. We do not have access to the subscriber's certificate that he might have had with [fols. 8628-8631] another company.

Q. Could you tell us approximately how many approved central station burglar alarm subscribers have switched to your alarm service in the preceding 12 months?

A. My guess is they would be at the same rate.

Q. Would this be true for the last five years?

A. The last two years there's probably been an increase in the rate than the last five years.

Q. Now, sir, can you tell us how many of your local alarm subscribers, burglar alarm subscribers, have switched to central office burglar alarm?

A. Again a guess would be that it would be eight to ten that we lose over a period of one year.

Q. And in the preceding year?

A. Close to that.

Q. In the past 12 months has your company taken any former approved central station fire alarm account?

A. One I'm definitely sure of would be the Revlon account.

Q. In the preceding year?

A. This I will have to check the files on.

Q. Do you know of any in the preceding year that switched from approved central station fire to your fire?

A. The question was fire.

Q. Yes.

A. Not offhand.

* * * * * * *

[fol. 8632] Q. Has A.D.T. ever referred a prospective local alarm subscriber to your company or to one of your salesmen?

A. Yes, they have.

Q. Has this happened within the last 12 months?

A. To my recollection, yes.

Q. Approximately how often do these referrals occur?

A. This is a vague area. We only learn of this if a subscriber is nice enough to report to us that the A.D.T. people have recommended us. This majority of their referrals to us are on residential alarm installations which A.D.T. does not handle. But I do recall referral of commercial or retail outlets to us for local alarm installation only.

Q. Does your company refer potential central office burglar or fire alarm subscribers to either A.D.T., N.D.T. or E.P.C.?

A. Yes, we have.

Q. Can you tell us approximately how frequent this is?

A. These would be occasional referrals, usually in the best interest of the potential alarm customer.

Q. Can you offer the type of service that these central office companies will then provide the subscriber?

[fols. 8633-8635] A. No. Off the record.

(Discussion off the record.)

Mr. Williams: There was a statement by Mr. Zahn off the record that these were "reluctant referrals." Is that correct, Mr. Zahn?

The Witness: I'll stand by that.

Mr. Williams: Okay.

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[fol. 8636] Q. Approximately how many cities or police-fire headquarters does your company maintain in direct connect alarm system?

A. Over 150.

Q. That's over 150 cities?

A. Municipalities.

Q. Municipalities. Are all of these of the direct connect leased telephone wire type as opposed to auxiliary?

A. Yes, they are.

Q. Could you name these 150 municipalities?

A. Not without a directory.

(Discussion off the record.)

Mr. Morrison: The witness has stated that he will prepare a list of the cities, municipalities, in which his company provides direct connect alarm service and attach it to the deposition at the time it is signed.

Mr. Williams: Let's call it Government's Exhibit A for identification so we know what it is.

(Discussion off the record.)

Mr. Williams: With respect to the list that Mr. Zahn stated that he will prepare as being Government's Exhibit A for identification, he stated that he will also indicate next to each city by means of a "P" or an "F" or both [fol. 8637] whether the connections are to police or fire headquarters or both.

Q. Well, Mr. Zahn, on direct examination Mr. Williams read a lengthy list of municipalities and you answered concerning these cities that you provide central station or direct connect protection, and you answered "yes" or "no" and "possible." In these cities that you replied "possible," is that a guess? Do you know whether or not you do or you don't?

A. I answered "possible" where I thought we might have. This new list I have agreed to provide will give the definite answers on each city.

Q. Mr. Zahn, does your company compete with approved central station protection companies?

A. Do we compete with approved central station companies? We do not compete with them for approved central station work. We compete with them in the realm of lesser service.

Mr. Morrision: That's all.

Mr. Williams: I have a few questions.

Redirect examination.

By Mr. Williams:

Q. When Mr. Morrison just asked you whether you compete with approved central station companies, what did you understand the word "competition" means?

A. I wondered if he was assuming that we compete with them for a specific type of service that they make available to their subscribers or whether we compete with them in the realm of all protection services.

[fol. 8638] Q. Does your firm attempt at times to sell your services to the same potential customer that A.D.T. is trying to sell its services to?

A. Yes, we do.

Q. That is competition, is it not?

A. That is competition. I can go a little further on that question. Quite often a subscriber has insurance company—usually insurance underwriter requirements for protection, and we compete where we feel that these requirements are sometimes impractical or too stringent and we try to get lesser requirements which make our bid possible.

Q. And this does happen on occasion?

A. This happens on all occasions.

Q. You are sometimes successful in having either the subscriber or his insurance carrier have more realistic concepts about the amount of protection that is needed?

A. That is correct. Sometimes their recommendations or requirements are for a service that is not available in a given area.

Q. I think, Mr. Zahn, that we have gotten to the point where you had stated that you had about 2,700 pure local alarms that did not have outside connections.

A. That was my guess, yes.

Q. What is the function of those alarms? What purpose do they serve?

[fol. 8639] A. Potentialwise?

Q. Pardon?

A. Potentialwise?

Q. No. In all. What is the entire purpose?

A. In some cases a subscriber is willing to expend X number of dollars for some type of security. In many cases it is for insurance company requirements.

Q. What type of security is he trying to buy? In other words, by that I mean is it security against loss by burglary?

Mr. Morrision: I object.

The Witness: Well, naturally, a burglar alarm is security against burglary or intrusion. Burglary is a broad term. It could be strictly protection against vandalism; sometimes protection against spying.

Q. In the broad sense it is protection of property of some type, isn't it?

Mr. Morrision: I object.

The Witness: Property or inventory.

Q. Can you estimate for us how many silent holdup alarms you have, just approximately?

A. Over 100.

Q. These are connected directly to police headquarters?

A. Yes.

[fol. 8640] Q. And there is no audible signal on the protected premises?

A. No. To elaborate, most of these silent holdup alarm systems are supplemental to a burglar alarm system which might have a sounding device.

Q. The Johnson & Johnson plant in New Brunswick which you protect is protected by a proprietary system?

A. Yes.

Q. This plant is within the operating area of A.D.T.'s New Brunswick central station?

A. Yes.

Q. Where is the Boonton Radio located?

A. Rockaway, New Jersey.

Q. Is that within range of any central station in the State of New Jersey?

A. No, it is not.

Q. Is Laiko Terminal Warehouse within range of a central station?

A. Yes.

Q. Are all the Revlon locations within the range of a central station?

A. Yes.

Q. Is East Orange within a central station operating area?

A. Yes. East Orange is adjacent to Newark.

[fols. 8641-8642] Q. What about Bergenfield?

A. Bergenfield is a possibility from Paterson.

Q. And Elizabeth?

A. Elizabeth is adjacent to Newark.

Q. Dover?

A. Dover is outside the range of any central office. If I may add?

* * * * * * *

[fol. 8643] Q. Have any of your fire systems ever been in any way approved by Factory Mutual Organization?

A. I previously answered this question. We have not received a blanket or official approval from the Factory Mutual Organization. I do understand from some of our subscribers that in individual cases they have received some discounts.

Q. As a result of having your system installed?

A. As a result of our system. Questioning by insurance people has only determined that we are using listed equipment in our installations.

* * * * * * *

Recross-examination.

By Mr. Morrison:

* * * * * * *

Q. Does the fact that your fire protection service has not been approved by any of the insurance rating organizations affect your ability to compete in fire alarm system? [fols. 8644-8647] A. Yes. We are unable to compete for approved fire alarm systems, but this is a matter of our own choosing to the present year.

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[fol. 8648] IN UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT W47a

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

The deposition upon oral examination of a witness, HENRY A. WALTERS, produced and sworn before me, Margarita Liggett, a notary public of Marion County, State of Indiana. This deposition was taken on behalf of the defendants, American District Telegraph Company, Holmes Electric Protective Company, and Automatic Fire Alarm Company of Delaware, commencing at the hour of 2:00 o'clock P.M., August 22, 1961, at Room 247, Federal Building, in the City of Indianapolis, County of Marion, State of Indiana.

This deposition was taken pursuant to the Federal Rules of Civil Procedure for the District Courts of the United States, written notice and subpoena for the taking of same being annexed hereto.

* * * * * * *

[fol. 8649] HENRY A. WALTERS, being first duly sworn to testify the truth, the whole truth, and nothing but the truth relating to said cause, deposes and says:

Direct examination.

Questions by Frank A. Fritz, Esq.:

1 Q. Will you state your full name and address, please, sir?

A. Yes. It is Henry A. Walters, Rural Route 4, Box 661, Greenwood, Indiana.

2 Q. Could I ask you to speak up a little bit so these gentlemen down here can hear you?

A. Fine.

3 Q. I take it from your appearance you are in your early Thirties, Mr. Walters.

A. 33—Well, almost 33.

4 Q. Thanks. What is your occupation?

A. I am in the alarm business.

5 Q. Where?

A. Locally.

6. Q. What is the address of your alarm business?

A. Well, I operate through the Telephone Answering Service in the Bankers Trust Building.

7 Q. In the Bankers Trust Building located in Indianapolis?

A. Right.

[fol. 8650] 8 Q. What is the address of that building?

A. I don't believe they have an address.

9 Q. It is on Ohio Street?

A. It is on the corner of Ohio and Pennsylvania, Room 325.

10 Q. Do you have any other business location or any other location where you conduct any other part of that alarm business?

A. Yes, I do. I operate out of my home, and I do carry a listing under the 'WECO Alarm System.'

11 Q. W-E-C-O?

A. Stands for Walters Electronic Company. And the way I have my books set up, anything I sell outright, I put on WECO listing. Anything on monthly ratings is through the Ace Alarm account.

12 Q. Do I understand you have two types of business, so to speak; one conducted under the name of WECO, and the other under the name of Ace Alarm Company?

A. That's right.

13 Q. Is either or both of those incorporated, or are they just names which represent the business done by you as owner?

A. That's all, they are only names.

14 Q. They are not corporations?

[fol. 8651] A. No.

15 Q. How long have you been in that type of business that you have just told us about?

A. Two years with the Ace Alarm Company, and then a few months before that I started the WECO Alarm.

16 Q. What had been your occupation prior to that time?

A. Radio and TV Service.

17 Q. So that basically you are versed in electricity and electronics, I take it.

A. For about 12 years.

18 Q. Practical experience?

A. Yes.

19 Q. Have you had any educational training in that field?

A. Yes. I graduated from the Indianapolis Electronics School in 1949.

20 Q. And then for the succeeding 12 years you were engaged in radio and television work?

A. That's right.

21 Q. Let's take WECO first, which you operate out of your home, and I take it that is the address you first gave us which is Greenwood?

A. Yes, that's right, Greenwood.

[fol. 8652] 22 Q. Precisely what is the business conducted there through WECO or under the name of WECO?

A. Well, there is very little business. I can tell you how this started. I got a fairly large account when I was still in the TV business, and it was the Haag Drug Company.

23 Q. With what?

A. Haag Drug Company. And you might say they put me in business and they wanted a name, any kind of a name to put on their windows for a decal, so I said, "Well, I have operated under the name of 'Walters Electronic Company,' and why not use that abbreviation and call it WECO?" They said, "That is good." So, they made up several decals and put it on all their stores.

24 Q. How many stores?

A. About 22 stores.

25 Q. All in and about Indianapolis?

A. Yes, all in Marion County. So, I wanted to capitalize on the advertisement so I listed myself as WECO Alarm Company and I had no central office or answering service

or anything at that time, and I used my home phone number.

26 Q. What did the service, if there was any involved—I don't mean to deprecate what you did; I don't understand [fol. 8653] it—What was the service involved for the drug company's 20-odd stores where the WECO signs were placed?

A. They bought the system outright and paid a cash amount to install it; no maintenance. They paid me cash to maintain them—service calls.

27 Q. You made an outright sale of some kind of an alarm device to each of the 20-odd stores of this drug company; is that right?

A. That's right.

28 Q. What type of device was that?

A. Local alarm, manufactured by ADEMCO in Brooklyn. It was a regular manufactured device; was not homemade or anything. It was connected to 110 volt siren rather than a bell.

29 Q. Siren?

A. Right.

30 Q. So, if there was attempted intrusion and the device actuated, the siren would sound and give an alarm?

A. That's right.

31 Q. It was exclusively a local alarm, confined to the premises where the device was situated?

A. That's right.

32 Q. Was there more than one device at each drug location?

[fol. 8654] A. No, no, just one.

33 Q. So, in total, you sold them 20-odd local burglary alarms which they installed, and in connection with that, they used this decal sign of WECO? Is that right?

A. Right.

34 Q. That was your first big account which put you in business?

A. That put me in business.

35 Q. What happened after that?

A. Well, then, an old company that had been established for many years, owned by LeRoy Smith . . .

36 Q. (Interposing) LeRoy?

A. Right. He had the General Alarm Company. Pre-

vious to that I believe he called it the Precision Alarm Company.

37 Q. In Indianapolis?

A. In Indianapolis. He had been established for I don't know how many years; I guess in the Twenties.

38 Q. What kind of business?

A. Alarms.

39 Q. Local alarms?

A. Strictly local alarms. He passed away and a fellow that he had just taken as a partner bought the business, or what was left of the business from his widow. Well, he found there was not enough business to keep him going, [fol. 8655] he couldn't make a living off of it and maintain his system, so he tried to sell it. Well, no one was interested in buying just part of an alarm company, you might say just the remains of an old alarm company, other than someone in the alarm field; so, he contacted the alarm people in Indianapolis—everyone—to try to sell it. That only took in about four, I believe, that he contacted—American Alarm, Sentinel Alarm. I don't whether he contacted ADT or not, but he did contact me.

40 Q. Circle?

A. Circle was not in business at the time.

41 Q. That's right.

A. So, we came to an agreement. Mr. Richardson . . .

42 Q. (Interposing) That is you and this gentleman that bought the remains of the business from the former owner's widow?

A. That's right. So I purchased the General Alarm Company outright, and he had, after Mr. Smith passed on, he changed the name to Ace Alarm. I believe his motive for doing that was to get a listing ahead of ADT's in the phone books, but that did not work. But he changed to Ace Alarm, wanted to modernize it, so I continued with the [fol. 8656] same name.

43 Q. I see. What did you take over from this gentleman who used the name, Ace Alarm, and endeavored to get a prior listing in the phone book?

A. When I saw that came secondary I was very unhappy . . .

44 Q. (Interposing) No.

A. When I took over he had four central office units; he

had just started a central alarm system. In total, he had 28 monthly subscribers. That included four central office alarms.

45 Q. When you say 'four central office alarms,' do you mean four subscribers?

A. Four subscribers.

46 Q. Who had the central station service?

A. Silent Alarm Service.

47 Q. Where was the central office of that company which you took over?

A. In the present location, 325 Bankers Trust Building.

48 Q. When you say '325' you are talking about Room 325?

A. That's right, Room 325.

49 Q. When was it that you took over the Ace Alarm Company? We will call it that.

A. August of 1959.

[fol. 8657] 50 Q. 1959. Well, that was close to the time when you started up the WECO business, was it not?

A. It was just a few months after, six or seven months after.

51 Q. So for all practical purposes both of the divisions of your business began approximately the same time?

A. That's right.

52 Q. And both had their origin as you described to us?

A. That's right.

53 Q. You have been in business in this dual fashion for approximately two and one-half years?

A. Two and one-half, about that.

54 Q. Do I take it correctly, then, from the standpoint of your WECO business, you are engaged in the local burglary alarm business?

A. Local definitely, and outright sales.

55 Q. And outright?

A. Strictly outright sales of alarm systems.

56 Q. In other words, you make sales of local burglar alarm devices, but you don't maintain and service them?

A. I install them and will service them, but not on a monthly basis.

57 Q. Do you have some service arrangement with some people to whom you sell your local burglar alarms?

[fol. 8658] A. No, not that I sell outright.

58 Q. Is there another business of your WECO business in which you install local burglar alarms on subscribers' premises and furnish service or maintenance?

A. Not under the WECO, but I do under the Ace.

59 Q. Under the Ace. To get it clear on the record, WECO has to do only with the outright sales of local burglar alarm systems; nothing else?

A. That's right.

60 Q. So, as far as Ace Alarm is concerned, you have local burglar alarm protective service which consists of installing the local burglar alarm on the subscriber's premises and the furnishing of service; is that right?

A. That's right.

61 Q. In addition to that, you have also a type of central station protection?

A. That's correct.

62 Q. At Room 325?

Mr. Story: I object to the form of the question.

By Mr. Fritz:

63 Q. You have another type of service at Room 325, Bankers Trust Building. That is what?

A. That is a silent type system.

64 Q. What to you mean by 'silent type system'?

[fol. 8659] A. There is no local noise device at the premises.

65 Q. Is there some actuating devices or equipment to be installed on the premises in connection with the silent operation you are talking about?

A. You mean tripping alarm?

66 Q. Yes.

A. Oh, yes.

67 Q. What does that include? Of what does it consist?

A. I use about all the standard type equipment—lead foil on the windows' glasses, dowel rod screens . . .

68 Q. (Interposing) Dowel?

A. D-o-w-e-l. (Cont'g) . . . electric eyes.

69 Q. What they call 'photoelectric' system?

A. Photoelectric systems, and magnetic switches, door switches, just general alarm equipment; anything I would

use in my local alarms to trigger the alarm mechanism I would use in my central office.

70 Q. And then in connection with your central office, I take it there is a connection between the equipment on the subscriber's premises and your central office in Room 325, Bankers Trust Building.

A. That's right.

71 Q. What is the form of that connection?

[fol. 8660] A. I lease the telephone lines from the local telephone company.

72 Q. And am I correct in saying if an actuating device is tripped on a subscriber's premises, then a signal is transmitted over the wires to your central station?

A. That's right.

73 Q. What do you have actually in Room 325 that you have characterized as a central station?

A. I have—basically it is a relay with a light, a buzzer, and a switch for each subscriber.

74 Q. Is it a panel board?

A. It is a panel board, yes, sir.

75 Q. The relay?

A. The relay is the heart of the mechanism. It depends upon the current coming through the telephone lines to hold this relay; if for any reason the current fails to get there, we have an alarm.

76 Q. That alarm is evidenced how in your central station?

A. By the light over the subscriber's name and the buzzer.

77 Q. Buzzer?

A. Right.

78 Q. And then when you receive such an alarm as that from a given subscriber's premises, what do you do?

[fol. 8661] A. We have a direct line to the dispatcher's desk at the Police Station.

79 Q. To the dispatcher's desk at the Police Station?

A. Yes.

80 Q. In the City of Indianapolis?

A. Right.

81 Q. Then what happens?

A. The operator, whoever is on this board, dispatches the City Police . . .

82 Q. (Interposing) Well, may I interrupt you for a moment? I take it your operator who receives the signal notifies the dispatch desk in the Police Department over the direct line that a signal has been received from a given subscriber's premises; is that right?

A. You put it a lot better than I do.

83 Q. I just want to make it clear. What happens at the Police Department when such a message is received?

A. Well, I have never seen it happen, but they radio the police car in the area and they answer this alarm. Of course, previous to this I have been notified and I also go on the call myself. If I am not available, the subscriber, himself, is notified; someone has to be there to release the police from the location.

[fol. 8662] 84 Q. Either you or the subscriber?

A. Or the subscriber, right.

85 Q. Do you make an investigation when you reach the premises to see what appears . . .

A. (Interposing) That's right. The police, themselves, really make the investigation. If there is no signs of forcible entry, then they leave. I stay there and make all necessary repairs.

86 Q. Do you get a certain percentage of what might be called 'false alarms' from these locations?

A. Yes, I do. For various reasons I receive my share of false alarms.

87 Q. The actuating devices that are used in this type of business—and I don't mean just yours—but the devices used in that type of business are very sensitive, are they not?

A. Yes, but it is like any business: you have got to find your faults and try to correct them. Now, I have corrected —oh, my gosh, I would say 50 per cent of my false alarms by eliminating the old fashioned switches and using hermetically sealed.

88 Q. What is the total of your false alarms?

A. I would have to guess.

[fol. 8663] 89 Q. Give me your best guess.

A. I would say 50 per cent.

90 Q. 50 per cent.

A. Now, I would not say this 50 per cent is due definitely to some failure of equipment, though.

91 Q. No.

A. There is the human element involved.

92 Q. Some of them are due to vibration, are they not?

A. No; that would still be a failure of equipment. I would say a large portion of them are due to the subscribers, themselves, not operating them correctly, or failing to call in, or just negligence on the part of the operator.

93 Q. Which operator?

A. Of the operator of the store.

94 Q. But, in any event, every signal that you receive is transmitted to the Police Department as attempted intrusion at the subscriber's premises; is that correct?

A. I will have to renege on that. I have left word on some customers that have been so troublesome, that on some customers they are to notify me first and—well, I don't have so many customers that I just number them; I know my customers and I know their faults, and I do use my own judgment on a lot of them.

[fol. 8664] 95 Q. Well, is it correct to say in a very large percentage, when signals are received, those signals are transmitted to the Police Department automatically by your employees?

A. By our employees, yes.

96 Q. Is that right?

A. That's right.

97 Q. What percentage would you say that would be?

A. Just about all of them.

98 Q. Very few exceptions?

A. Very few exceptions, that's right.

99 Q. Now, how do you characterize this type of service which you render out of Room 325, of the Bankers Trust Building? What do you call it?

A. I just merely call it my 'central office alarm system.'

100 Q. How many subscribers to that type of service did you take over from the former owner?

A. Four—of which one canceled the first week. I lost 25 per cent of my business overnight.

101 Q. How many do you have now?

A. 19, I believe—19 to date.

102 Q. That is of the central station type?

A. Central station type.

103 Q. How many subscribers do you have that you oper-

[fol. 8665] ate out of Ace Alarm of the local burglar alarm type that you service?

A. To date, 44.

104 Q. Is your service both local and central station variety, or all burglary protective service?

A. All burglary.

105 Q. Includes no other type of service? You have no waterflow type service?

A. I do have dry-type alarm systems available to anyone that wants them.

106 Q. What is that?

A. Merely thermostats on the ceilings. But I have not pushed it and I would rather not take on the obligation unless it is asked for.

107 Q. Would you explain what that type of service—You would be qualified to handle that in your present setup, would you not?

A. Yes, I would.

108 Q. Would you describe what type of service that would be and what type of protection that would afford?

A. All right. You see, our central office has no way of knowing what causes an alarm; it could be perfectly legitimate, the owner of the place walking in; it could be a break-[fol. 8666] in; or it could be telephone lines falling down; we don't know. So, the way it is set up now, we have to assume it is burglary because that is the only type of an alarm system I have. But if a customer or subscriber wishes fire protection, the dry type, no sprinklers, no waterflow system, then I would put in devices that would trigger my system due to excess heat. That would be put on a separate system so our operator would know. We would assume that this alarm is caused by fire regardless of whether it was caused by downed telephone lines or what have you.

109 Q. In other words, on a device on a subscriber's premises, that would be tripped or actuated by an increase in temperature above normal?

A. That's right, above normal.

110 Q. That could be rendered through your type of central station service?

A. Yes, it could.

111 Q. But you don't happen to have any of that type of service at the moment?

A. No.

112 Q. Similarly is your system adaptable to the recording of, from water flow for any of the customers that use [fol. 8667] fire sprinkler systems?

A. It could be adaptable with modification, but the way it is set up, it could not be.

113 Q. But it could be done?

A. It could be, yes.

• • • • • • •

[fol. 8668] 122 Q. Is this the same telephone answering service, or was it the same one used at one time by Mr. Richardson of the American Alarm?

A. Yes, it is the same building.

123 Q. It is?

A. Same building, same room. He knocks it now; he has outgrown it.

124 Q. He used it for a period of six years, he told us.

A. I thought it was longer than that.

125 Q. In any event, the same system, same location?

A. Yes.

[fol. 8669] 126 Q. Do you have other employees besides yourself?

A. No.

127 Q. You do all the work?

A. All the work.

128 Q. Well, now, who is on duty to watch for the receipt of signals?

A. They are the employees of the Telephone Answering Service.

129 Q. I see. They are not yours?

A. No.

130 Q. Who owns this panel with the lights and buzzers and the signal-receiving system?

A. I do.

131 Q. You do?

A. Yes.

132 Q. What does the Telephone Answering Service do?

A. They furnish the personnel and the filing system; in

other words, they take care of this board according to my instructions. They furnish the service for it.

133 Q. Is their function, under your arrangement, when a signal comes in to note the origin of the signal and to telephone to the Police Department over this direct wire?

A. That's right.

134 Q. That is the part that the Telephone Answering [fol. 8670] Service plays in this service that you render; is that correct?

A. Yes.

135 Q. So, instead of having your own employees directly, you use the Telephone Answering Service for that phase of it; is that correct?

A. That's correct.

136 Q. I take it that is simply a substitute for what the regular central station company does which handles that transmission to the Police Department by its own staff—right?

A. That's right. Well, it just stands to reason that you have to have so many subscribers before you can afford to hire your own personnel 24 hours a day.

137 Q. And this is a substitute for that?

A. It is a substitute for it, right.

138 Q. I take it you have some arrangement whereby you pay the Telephone Answering Service some fixed sum for the performance of the work.

A. I pay them for the lease of the very small area my board sits in, a fixed amount per month.

139 Q. How much is that, roughly?

A. Forty-Some-odd Dollars per month.

140 Q. Do you pay anything for service?

[fols. 8671-8672] A. $5.00 a subscriber.

141 Q. Per month?

A. Per month. You can see where that is a cheaper way out.

142 Q. So presently you have 44 local?

A. 44 locals . . .

143 Q. (Interposing) Subscribers.

A. And 19 central stations.

144 Q. 19 central stations. Is that an increase over last year's number?

A. As of December 31, 1960, I had 40 local alarms and 9 central office.

145 Q. So you have gained 10 since the end of last year.

A. It will be 11 next week.

146 Q. And was last year's, 1960, a gain over your beginning time?

A. Yes. At December 31, 1959, I had 33 local alarms and six central alarms.

147 Q. So that you have been progressing from the standpoint of the number of your subscribers ever since you started; is that right?

A. Yes.

• • • • • • •

[fol. 8673] 155 Q. By what arrangement do you have for the ownership, if any, of the equipment on the subscriber's premises with respect to central station service?

A. That equipment reverts back to me.

156 Q. If the service terminates?

A. If the service terminates.

• • • • • • •

[fol. 8674] 164 Q. Now, how many of your 19 central station subscribers or your 44 local burglar alarm subscribers, being serviced by Ace Alarm, operate under written contracts?

A. Oh, I would say about 75 per cent of them.

165 Q. And is the contract of this type which you have just handed me?

[fol. 8675] A. Most of them are. There have been three or four that have just been typed, typewritten agreements.

166 Q. Do they substantially conform to this arrangement, the one I hold in my hand?

A. That's right.

167 Q. This copy you handed me?

A. Yes.

Mr. Fritz: I ask that that might be marked for identification.

A. (Cont'g) That contract you hold in your hand takes in a lot more service than I perform. That is the reason

I don't use it any more. It covers wa er-flow system, automatic fire system; a lot of things I am not handling.

By Mr. Fritz:

168 Q. Well, for example, it says in the copy here "In the event Waterflow Alarm Service is furnished." But you don't furnish that, do you, so it would not apply?

A. That's right.

169 Q. What you mean is this exhibit—and I will ask it be marked—contains provisions that would apply in the event you did furnish certain types of service, some of which you don't furnish?

A. That's right.

(At this time Mr. Fritz handed the Notary a document which was marked for purposes of identification Deposition Exhibit 1.)

[fol. 8676] GENERAL ALARM SERVICE

Indianapolis, Indiana

This Agreement made this ——— day of ——— ———, 19—, by and between General Alarm Service, hereinafter called the "Contractor," and ——— ——— hereinafter called the "Subscriber."

Witnesseth: that for the considerations and covenants hereinafter specified, the parties hereto do, for themselves, their successors and assigns, mutually covenant and agree as follows:

1. The Contractor agrees to install and maintain or cause to be installed and maintained, during the term of this agreement, in the premises of the subscriber at ——— ——— in the City of ———, State of ———, a ——— Protective Signaling System as specified in the schedule on the reverse side hereof, connected to ——— and will, subject to the terms and conditions hereof, during the term of this agreement, make periodic inspections of the system and make such repairs and adjustments as may be necessary for the proper operation and maintenance of such system in

good working order, the Subscriber agreeing, nevertheless, to exercise all reasonable care in the handling thereof and to notifiy the Contractor promptly of any conditions requiring the Contractor's attention. It is mutually understood and agreed by and between the parties hereto that whenever the ———————— Protective Signaling System specified in the schedule on the reverse side hereof shall require attention by a representative of the Contractor, whether for repairs, maintenance, non-functioning, malfunctioning or any cause whatsoever, the Contractor shall have a period of twenty-four hours from and after the time of receiving written notice from the Subscriber of the need to give attention to said system, or in accordance with the Contractor's policy in the above named area, within which to dispatch a representative of the Contractor to the premises of the Subscriber. It is further understood and agreed by and between the parties hereto that the entire system, including all devices, instruments, appliances and all cabinets, bells, conduits, BX cables, connections, foils, screens, springs, tubing, thermostats, wires and all other materials associated therewith, is and shall be and remain the personal property of the Contractor.

2. In the event Waterflow Alarm Service is furnished, the Subscriber hereby agrees to replace, at his sole expense, all wet and dry valves now installed which are not acceptable to the Board of Fire Underwriters or other authority having jurisdiction when equipped with signaling devices supplied by the Contractor, and to furnish any necessary water through the Subscribers' meter at the Subscriber's own expense.

In the event Automatic Fire Alarm Service is furnished the Subscriber agrees to place hoods over all open forges and open fires, and to pipe all boiler blow-offs and steam exhausts outside of the buildings to be protected.

3. The Subscriber hereby agrees to pay to the Contractor, its agents or assigns, the sum of ———————— Dollars ($ ————) upon completion of installation and to pay in addition the sum of ———————— Dollars ($ ————), per annum, ————, in advance, for the period of five years from the date such system is operative under this agreement, and thereafter, to pay the said sum per annum, ————, in advance, until the termination of

this agreement, which is terminable at the end of said five year period, provided thirty days prior notice in writing of desire to terminate is given by either party to the other; otherwise to continue after expiration of said five year period until such thirty days' prior written notice is given by either party to the other. Any advance payments made for service to be supplied subsequent to the date of such termination shall be refunded to the Subscriber.

4. The Subscriber hereby authorizes and empowers the Contractors, its agents or assigns, to install and maintain the aforesaid system in said premises and to inspect, test and repair it, and, further, to make any changes in or alterations to the system made at the request of the Subscriber or made necessary by any changes in the Subscriber's premises, property or equipment, after the original installation has been completed, at the cost of the Subscriber. The Subscriber agrees to furnish any necessary electric current through the Subscriber's meter and at the Subscriber's own expense. It is mutually agreed that the work of installation and the Contractor's periodic inspection and tests of the system shall be performed between the hours of 8 o'clock, A.M., and 5 o'clock, P.M. exclusive of Saturdays, Sundays and Holidays.

5, It is understood and agreed that the Contractor may remove, or upon written notice to the Subscriber, abandon said system, in whole or in part, including all devices, instruments, appliances and all cabinets, bells, conduits, BX cables, connections, foils, screens, springs, tubing, thermostats, wires and any other materials associated therewith, upon termination of this agreement by lapse of time, default in the payment of any moneys due hereunder, or otherwise, without any obligation to repair or redecorate any portion of the Subscriber's premises upon removal of the Contractor's system, and that the removal or abandonment of the system as aforesaid shall not be held to constitute a waiver of the right of the Contractor to collect any charges which have accrued or may accrue hereunder.

6. The Subscriber hereby agrees that the Contractor shall have the right to increase or decrease the ——— charge provided for herein at any time or times after the expiration of one year from the date such system is opera-

tive under this agreement or after one year from the effective date of this agreement if an effective date is herein specified, upon giving the Subscriber written notice sixty days in advance of the effective date of such increase or decrease, and if the Subscriber is unwilling to pay any such increase charge, the Subscriber may cancel the then unexpired term of this agreement by notifying the Contractor in writing thirty days prior to the otherwise effective date of any such increase.

7. This agreement may be terminated at the option of the Contractor at any time, if Central or Direct Connected, in the event that the Contractor, is unable either to secure or retain the connections or privileges necessary for the transmission of signals by means of conductors between the Subscriber's premises and the municipal fire or police departments, or the Contractor's Central Office, and the Contractor shall not be liable for any damages or subject to any penalty as a result of such termination.

8. It is understood and agreed that the Contractor's obligation relates to the maintenance solely of the specified protective signaling system, and that the Contractor is in no way obligated to maintain, repair, service, operate or or assure the operation of the property, system or any device or devices of the Subscriber or of others to which the Contractor's said system is attached.

9. It is agreed by and between the parties hereto: that the Contractor is not an insurer; that the payments hereinbefore named are based solely on the value of the services provided for herein; that, from the nature of the services to be rendered, it is impracticable and extremely difficult to fix the actual damages, if any, which may proximately result from a failure on the part of the Contractor to perform any of its obligations hereunder; that, in case of the failure of the Contractor to perform any of its obligations hereunder, and a resulting loss to the Subscriber, the Contractor's liability hereinunder shall be limited to and fixed at a sum equal to ten percent of the annual service charge, hereinabove provided for, but in no event amounting to less than the sum of twenty-five dollars, as liquidated damages, and not as a penalty, and this liability shall be exclusive.

10. The Contractor assumes no liability for delays in

installation of the equipment, or for interruptions of services due to strikes, riots, floods, fires, acts of God or any cause beyond the control of the Contractor, and will not be required to supply service to the Subscriber while interruption of service due to any such cause shall continue.

11. This agreement is not assignable by the Subscriber except upon the written consent of the Contractor first being obtained.

12. The Subscriber hereby agrees that he will not abandon, or remove, repair, or request anyone other than the Contractor, its agents, or its assigns, to remove or repair the above named Protective System, or any apparatus attached thereto, or being a part thereof; that, the Subscriber further agrees to compensate and pay the Contractor, its agents, or its assigns, for any damages or costs that may arise from the aforesaid. The Subscriber still further agrees to assume all responsibility for the aforesaid personal property of the Contractor, and to compensate the Contractor with a sum not to exceed the actual value thereof, and that this compensation shall not be held to constitute a waiver of the right of the Contractor to collect any charges which have accrued or may accrue hereunder.

13. The Contractor hereat sets the actual value of this ———— Protective Signaling System at a sum not to exceed ———— ($ ————).

14. An inoperative Protective Signaling System that is not reported to the Contractor by the Subscriber, of the need of repairs, does not constitute a waiver of this agreement on the part of the Contractor, nor, can it be held to constitute a waiver of the right of the Contractor to collect any charges which have accrued or may accrue hereunder, nor, can it be held as a waiver of this agreement on the part of the Contractor should be the Contractor refuse and/or fail to compensate the Subscriber with the aforesaid liquidated damages.

15. This agreement is not binding unless approved in writing by an authorized representative of the Company described above as the Contractor. In the event of failure of approval, as aforesaid, the only liability of the Contractor shall be to return to the Subscriber the amount, if any, paid to the Contractor upon the signing of this agreement.

16. There are no verbal understandings changing or modifying any of the terms of this agreement.

Contractor	Subscriber
By ——— Agent	Warranted By ———
Approved ——— Authorized Representative of the Contractor	——— Title

[fol. 8676a] AGREEMENT WITH

Name
Address
City and State
Date of Agreement

GENERAL ALARM SERVICE

Schedule of Equipment To Be Installed

System to be ———

Headquarter Receiving Set at:

Police Department Headquarters ———
Fire Department Headquarters ———

Or

———

[fol. 8677] 170 Q. But 75 percent of your subscribers to Ace Alarm Service do have service under contracts like this Exhibit 1—right?

A. That's right.

171 Q. Now what was the total revenue, that is, gross revenue, from your operations of Ace Alarm Company in 1960?

A. In 1960, gross total receipts were $11,321.41.

172 Q. And WECO?

A. Now, that was combined.

173 Q. That is a combined figure?

A. It is a combined figure. I don't have it broken down.

174 Q. Do you have an idea?

A. I could give you an idea.

175 Q. What the approximate division would be?

A. Yes. I only installed three. Let's see, I only installed three local alarms, or outright sale. There was approximately a Thousand Dollars worth of service on a cash basis, so I would say $8,000 roughly.

176 Q. Of that is attributable to the service rendered out of Ace Alarm Company; is that right?

A. Yes.

177 Q. How does that figure compare with your first partial year of operation ending in 1959?

[fol. 8678] A. Well——

178 Q. In gross.

A. Well, I depended mostly in 1959—Wait a minute, no, I did have—I will have to look at this again. I don't have my figures for 1959.

179 Q. Well, were they less than the figures for 1960?

A. Oh, yes. They were less than for 1960. I did quite a bit more business in '60 than I did in '59.

180 Q. Are you doing more business in 1961 than you did in 1960?

A. Yes, I believe I am; not much more:

181 Q. But some more?

A. Some more.

182 Q. How was that gross revenue of $8500 or $8,000 of Ace Alarm divided between your local burglary service and your central station service?

A. Well, that year I had 40 locals and 9 centrals. Of course, my monthly rate for my central offices is much higher than for my locals, but the central office was definitely a minimum, where it was a minority to my locals.

183 Q. What in dollars would you say—could you say was represented by your central station approximately?

A. Well, let's see, about $2500.

184 Q. Of central station?

[fol. 8679] A. Central station.

185 Q. Of course, that will increase as your number of subscribers increase, and they are increasing now?

A. That's right.

186 Q. Are there other persons, partnerships and corporations, rendering a protective service in the City of Indianapolis?

A. You mean central office type systems?

187 Q. Central and local.

A. Oh, yes.

188 Q. What are they to your knowledge?

A. To date there has been a new one come into effect, the Circle Equipment.

189 Q. When did that come into being?

A. I have just become aware of them the last six months.

190 Q. How did you become aware of them?

A. Well, they advertised, sent out brochures to customers; many of my customers show them to me.

191 Q. What type of service do they advertise they give?

A. Well, if I am not mistaken, they operate on a sound system, intercom system.

192 Q. Does it purport to be of central station variety?

A. Some of them are and some are connected to a central [fol. 8680] office which their company maintains, but most of them, I believe, are connected to the subscriber's homes.

193 Q. That's a recent newcomer to the field as far as you know?

A. That's right, they are.

194 Q. Who are some of the others whose existence you have become acquainted with?

A. American Alarm. I had my first dealings with them ...

195 Q. (Interposing) When you say you had your 'first dealings with them,' you mean what? In connection with your acquisition of the remains of the Smith business? Is that what you are talking about?

A. No; my very first alarm system I put in I purchased from American Alarm Company.

196 Q. You bought it from them?

A. Yes.

197 Q. That was local alarm?

A. Local alarm and when I saw the prices they charged me for it and what I could buy it for, I ran competition against them. They charged me $122.50 for $35.00 worth of equipment, and that made me mad.

198 Q. Is that what gave you the inspiration to go on into the business on your own?

A. Partially. I wired my own TV store plus two or three [fol. 8681] other stores. They all came to me and they had had trouble and said, "Can you rig me up something?"

199 Q. What company—Jubilee?

A. No, it was much later. Smith Valley.

200 Q. Smith Valley.

A. That was my first job. I didn't know where to buy the alarm equipment. I contacted Mr. Richardson and he sold it to me, and in the meantime I thought I would write to the manufacturer and see if the equipment was available. He sent a catalog and priec sheet.

201 Q. Who was that? Potter?

A. No; this was . . .

202 Q. (Interposing) ADEMCO?

A. ADEMCO. I had other inquiries from other people wanting to know about alarm service equipment. I thought I might as well go in the business.

203 Q. When was this?

A. This was . . .

204 Q. (Interposing) '59?

A. Probably late 1958.

205 Q. Who are some of the others besides those you mentioned?

A. Nordsiek's who have Sentinel Alarm.

206 Q. How do you spell that?

[fol. 8682] A. N-o-r-d—s-i-k, I believe, —s-i-e-k.

207 Q. S-i-e-k. What do they do?

A. All strictly local alarm system.

208 Q. Who else?

A. Well, of course, my big competitor is ADT.

209 Q. They compete with you?

A. Yes, I would say they do.

210 Q. You mean by that that you have had situations where you have had bids in and they have had bids also?

A. Yes, I have had that situation. I even had them come back and rebid again. I am not in too good a standing with them.

211 Q. Did you ever take any contracts away from ADT?

A. No, but I would like to.

212 Q. What?

A. No, I never have, but I would like to.

213 Q. Are you familiar with the installation of a place called Jubilee City?

A. Oh, yes.

214 Q. You have that contract, do you not?

A. Yes, I do.

215 Q. Did ADT bid against you on that one?

A. I don't know, to tell the truth. I was called up by a [fol. 8683] representative of Jubilee City to meet at a specific time at the Claypool Hotel.

216 Q. Claypool?

A. At the Claypool Hotel, and I was there alone with the representative.

217 Q. Of Jubilee City.

A. I was led to believe just from oral indications that he was putting this job out to all of the qualified companies.

218 Q. All people that furnished protective service?

A. That's right, central office service. That would mean there were only three of us: Ace, American, and ADT.

219 Q. You put yourself in that category of people that furnish central station service in Indianapolis?

A. Yes, I do.

220 Q. And you got that contract?

A. Yes.

221 Q. Were there any similar situations that you know about?

A. Bargain Barn.

222 Q. Bargain Barn?

A. Yes, sir.

223 Q. Substantially the same situation there?

A. No. I was called in by a friend of the owner. I don't recall who recommended me, but someone recommended [fol. 8684] me, and he called me in, and he told me that they had discussed the alarm system with ADT and he knew the manager personally; said he used to be a nice fellow, but if he could do anything about it, he would not give him the job.

224 Q. Who was this particular man?

A. The man I talked to, his name was Butler; I don't know his first name. I just call him 'Scotty.'

225 Q. Is he connected with the Bargain Barn?

A. He is connected with the Bargain Barn.

226 Q. Where is that located?

A. 8600 East Washington.

227 Q. How recent was that?

A. This has been about a year.

228 Q. You got the contract?

A. Yes, I did.

229 Q. What type of service is involved in both of these we have been discussing, Jubilee City and Bargain Barn?

A. They are protective service.

230 Q. What kind of service? Burglary?

A. Burglary.

231 Q. What is Jubilee City the name of? A shopping center?

A. Shopping center, all under one building.

[fol. 8685] 232 Q. Bargain Barn, is that similarly a shopping center?

A. Shopping center of the same type.

233 Q. Do both of those places have a number of points in which actuating devices are?

A. Yes, all openings.

234 Q. Completely protected?

A. Yes.

235 Q. In all instances?

A. More so in the Bargain Barn. I have got a system in the Bargain Barn that gives more protection than Jubilee City.

236 Q. Any other instances come to your mind where you have been bidding in company with or against the company of the other central station outfits in the city?

A. Oh, yes. There have been several times that I know they have all been called in for bids, both central station and local.

237 Q. And what has been the experience? Have you gotten all the contracts or have you gotten some and they have gotten some?

A. No. I have gotten some. Oh, I would say I would get maybe one out of three, or one out of four when we are all called in. It's been my experience many times we are not all called in. I have found people use the phrase [fol. 8686] "ADT" as a general terminology for central alarm system, just like many people talk about "Kelvinator Frigidaires." If it is an electric icebox it is a Frigidaire.

238 Q. In other words, Frigidaire is synonymous with refrigerators of all kinds?

A. Yes.

239 Q. They are well known.

A. That's right, they are big, well known, been here a long time. Many instances I have found people will call ADT because they want central office; they don't consider anyone else. When anyone else is considered, and we are called in for bidding, I would say I get my share of it. I get one out of three or four. I do have one big gripe, though.

* * * * * * *

[fol. 8687] 263 Q. Mr. Story will want to know about them, so why don't you tell us?

A. I have a subscriber, one of the subscribers I purchased with the Ace Alarm Company. He is an old customer. It is a liquor store on Indiana Avenue. The man's name is Mays, he has the M & M Liquor Store. He called me in one day and he said, "We are going to open up another store on Roosevelt Avenue, but we have some remodeling to do; go over and have a look at it and see what it will take to put me in a central office system." He presently has a local alarm on Indiana Avenue, but he wanted to have central on Roosevelt in the new store, more elaborate. I did, I went over and looked at it and it was not too much of a job, and I went back and told him it could be taken care of in three or four days, wouldn't take long. He said, "Fine! As soon as we get through remodeling, you go ahead and put it in." He didn't ask me the price. Of course, the way I handle my stores. . .

Mr. Story: (Interposing) Excuse me, I can't hear.

A. (Cont'g) He didn't ask me prices. As I say, I am [fol. 8688] pretty loyal to most of my customers. The few customers I have, I get to know them well. So, every once in awhile I would check back to see the progress of the building, see how the remodeling was coming along, and thought when they would reach the point where I would make preparations to go to work on it I would stop back and see him to see if it was all right to get started on it or see if it is all right. He said, "I meant to call you. We

are going to have to cancel that." I said, "Cancel? What happened?" He said, "I decided to go to ADT." I said, "Why?" He said, "The man was in here a couple of days ago and he convinced me that I should go to ADT rather than your system." I said, "Why?" I said, "I have never even told you what my system consisted of." He said, "No. But the man did not speak very highly of your system and he convinced me I would be safer to go with an older, more established firm." In other words, he got the job by knocking my system, which he didn't even give me a chance to even talk for myself; came in and high-pressured the man for signing a contract on the spot. I said, "What have they got to offer that I can't offer?" He told me about the police protection and the direct lines to the police station, and, [fol. 8689] oh, about the representative being able to handle the service on the spot because of having a key, and this and that, and the other. I said, "You have not mentioned a thing I can't handle myself." He said, "I didn't know you offered that protection." I said, "Sure I do." I said,—he said, "Well, it's too late now, I have already signed a contract. They insisted I sign a contract on the spot." In other words, it seemed to me a man came in and fast-talked him into signing a contract that bound the whole thing. Of course, that didn't make me mad; that is business.

264 Q. Did you initially explain to this man who was putting this new liquor store up precisely what your service consisted of?

A. No.

265 Q. You did not?

A. No.

266 Q. He didn't ask you about that and he didn't ask you about the price?

A. Didn't ask me a thing.

267 Q. You didn't have an opportunity to tell him about any of these factors—right?

A. He didn't seem a bit interested. He knew I always [fol. 8690] treated him right, whatever it took, go ahead and take care of it.

268 Q. Did he tell you the name of the ADT man with whom he dealt?

A. No, he didn't.

269 Q. When did this take place?

A. This has been just about a year ago now.

270 Q. And you have given me the address on the record, now, haven't you, of the location?

A. It is. . .

271 Q. (Interposing) You said it was the M & M Liquor Store?

A. That's right, M & M Liquor Store, in the 500 block on Indiana Avenue. After I did talk to the man, I asked him what he was paying per month. I don't recall what he told me, but I gave him the price that I could do it for, and it was about $2.00 cheaper. It was not much cheaper, was not a whole lot of difference.

272 Q. Whose price was cheaper?

A. My price.

273 Q. Your price was $2.00 cheaper than ADT's?

A. Yes.

* * * * * * *

[fol. 8691] 279 Q. Do you have competitive situations with other people, both central and local?

A. Yes, I ran competition with all of them.

280 Q. Competition in Indianapolis is pretty lively, isn't it?

A. Not too much in the alarm field.

281 Q. Is it increasing?

A. Yes, it is now that Circle Equipment is coming into [fol. 8692] the picture.

282 Q. Now that what?

A. Circle Equipment, that makes a big difference. I really don't have a lot against ADT as a competitor other than those instances I spoke of. They don't think too highly of me because I don't have my own central office setup. 'I am a very small man in business.'

283 Q. That may be in the category of opinion—right?

A. That is true. In a way they are right. I can't offer the service they offer; but, still, I give the same protection, and in my estimation, I really think I give, in a lot of cases, better protection.

284 Q. Let me ask you this: Does your service entitle your subscribers to any insurance discounts?

A. No, no, they don't not really. There have been some instances that I can think of that I can vaguely recall where

some of my subscribers have gotten some insurance discounts, and I have talked to some insurance people, and it is my understanding that they have given some discounts, and I believe Jubilee City is one of them.

285 Q. Do you have any approval of bodies like the Indiana Rating Board, or Factory Mutual, or Underwriters' Laboratory, of the equipment and the service you furnish?

[fol. 8693] A. No. My installations, or alarm equipment, or my installations as a whole, have no UL approved status.

286 Q. Approval?

A. That's right, no approval at all. But the equipment that I put in, each individual piece that I use, are UL approved. The equipment that I use is UL approved, but the whole thing, installed as a whole, is not UL approved system.

287 Q. In other words, you buy UL approved equipment, but the installation as a whole and service as a whole is not UL approved?

A. That's right.

288 Q. Now, how about pricing? Do you maintain any particular fixed schedule of prices for the service that you render?

A. Well, generally, yes; but naturally there are some circumstances would come up where I have to charge a little more for this individual, or I can get by a little less for this individual.

289 Q. Why is that?

A. Well, let's say that an average installation price for an average store room—and I use the word 'average' by taking just a mental picture of a place with, say, two windows in the front, door in the front, and window in the [fol. 8694] back and door in the back; I call that 'average.'

290 Q. For burglary protection?

A. For burglary protection. I have in my mind two separate figures; one for central office, and one for local; and I know what I can do that system for. If he comes up with an extra window on it, I figure it at a little more; or if he wants an electric eye, it will have to be more. It governs the installations fee, but does not change the monthly rate much.

291 Q. Does it change it some?

A. It will change it some. The more equipment that I put in, the more chance for maintenance, and the more work I have to do, the more I have to cover myself on a monthly basis.

292 Q. When you get an application from a prospective customer for a contract, do you go out and personally examine and survey the premises?

A. Yes, I do.

293 Q. Do you make a little drawing of what you see?

A. No, I don't.

294 Q. You do it in your mind?

A. That's right.

295 Q. Predicated upon what you see and what you know [fol. 8695] the prospective customer needs, and your labor and material costs, and the element of profit, you fix your price—right?

A. Right.

296 Q. Is it true to say that that price varies with the particular circumstances of the customers' premises?

A. Yes, it does.

297 Q. I take it from what you told us, Mr. Walters, you don't do any manufacturing or assembling of equipment yourself; is that correct?

A. Well, yes, probably in a general term, but there are many, many instances that I will find that I need protection at a particular spot, say, a particular doorway or a particular entrance, and you can't buy that equipment and. . .

298 Q. (Interposing) And you make it?

A. And I have to make it.

299 Q. As a general rule you don't manufacture?

A. As a rule I don't. I do keep a roll of spring stocks to make my own contacts for unusual situations.

300 Q. And in general what are the companies which are the source of your equipment, supplies?

A. I buy nearly everything from the ADEMCO, almost everything.

[fol. 8696] 301 Q. There are many other available sources for similar equipment in the country?

A. Not too many, not too many that have the quality that ADEMCO has.

302 Q. You think the quality is better but the type is available in other sources although it may not be as good?

A. There are a few sources.

303 Q. Potter?

A. I don't know of any equipment Potter puts out I could handle other than the electric-eye system. I have three brand new Potter systems sitting under my bed that I would like to use for an anchor.

304 Q. You don't think they are any good?

A. They are not.

305 Q. From your point of view ADEMCO is a good source of supply?

A. Yes.

306 Q. Do you have any trouble getting equipment from them?

A. No. I don't know of any equipment Potter puts out other than the electric-eye system. I never received any information from them on their photoelectric system.

307 Q. Have your prices increased in the last two years since you started business?

A. No, I would not say they have. My costs have increased [fols. 8697-8698] just slightly. I have not changed installation fees or monthly rates. I will have to say my monthly rates have raised somewhat to what the previous owners of Ace Alarm had put in, but I never raised my rates.

308 Q. You started at what you thought was the proper price?

A. That's right.

309 Q. And if costs go up, and material, you will have to increase your rates, will you not?

A. That's right.

310 Q. If I understand you correctly, then, with respect to your combined operations, there is no one actually involved except yourself and the contractual arrangement you have with the Telephone Answering Service, at Room 325 Bankers Trust Building.

A. That's right.

311 Q. What is the name of that telephone answering service?

A. That is the name: Telephone Answering Service.

312 Q. That is the full name?

A. That is the full name.

* * * * * * *

[fol. 8699] 321 Q. Does the McCracken Telephone Answering Service render any kind of signal-receiving service for any other group except you, or any other organization or person?

A. You mean alarm?

322 Q. Yes.

A. No.

323 Q. Does it perform a substantial telephone answering service in addition?

A. Oh, yes; that is their basic business.

324 Q. Is it a large business?

A. As far as I know it is the largest in town.

325 Q. It occupies a room which was the size you described before?

A. Yes.

326 Q. And in that you have a little space of your own?

A. About the size of this desk.

327 Q. I think you said the panel was 3 x 3, and you have—what did you say, a $40.00 a month rental?

A. Forty-Some-odd Dollars a month rent.

328 Q. Do you know what the rental for that whole room is?

A. I wouldn't want to pay it.

[fols. 8700-8701] 329 Q. It is quite a lot?

A. I would imagine.

330 Q. Anybody else in Indianapolis who renders the same type of service as you do through the aid of the telephone-answering device, answering system?

A. No, not that I know of.

331 Q. Is it done anywhere else in the country to your knowledge?

A. I don't know of any directly. This—I wouldn't even have known of this type of a service other than it was available when I bought the business and I happened to know American Alarm started their business that way.

332 Q. Do you have available space for the extension of your panel in case you get more business?

A. Yes; I have enough room on that board for 100 subscribers before I have to make changes.

333 Q. Together with the appropriate equipment—lights and buzzers, or is it just now bare panel space?

A. It is bare panel space. I add the lights as I need them.

334 Q. As you need them?
A. Right.

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[fols. 8702-8703] Cross-examination.

Questions by Noel E. Story, Esq.:

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[fol. 8704] 348 Q. Now, do you know of any other instances that you have had any dealings with ADT, which you classified before I think as 'unpleasant experiences'? You named two of them.

A. No, I can't say that I can think of any right offhand. The Bargain Barn is about the nearest thing I can think of as an incident. That was indirectly between the man I was dealing with at the Bargain Barn and myself, and that same man and ADT. The man was definitely trying to get me the job. He was not furnishing the money or anything else. He was just the friend of the owner that had some sort of a concession in the building, and the owner seemed to feel that this man, Mr. Butler, was a qualified man to recommend what type of system he needed.

[fol. 8705] Mr. Fritz: Mr. Butler was representing the Bargain Barn?

The Witness: That's right, representing the Bargain Barn.

A. (Cont'g) I believe Mr. Butler had installed a few alarm systems in his younger days up in the Noblesville area, so he was qualified to understand the workings of an alarm system. Mr. Butler seemed to know Mr. Atwood personally and knew him when he first came to Indianapolis. He said he was a real nice fellow, real conscientious sort of a fellow 'but,' to use his phrase 'he had gotten the big head the last couple of years.' He would just as soon he didn't get the job, would swing it my way, if he could. There had been several visits out to the Bargain Barn on my behalf and ADT's behalf. . .

Mr. Fritz: (Interposing) You mean you?
The Witness: That's right.

A. (Cont'g) I had been to the Bargain Barn several times to get an answer, yes or no, are we going to put in an alarm. Every time I went out there, well, I talked to Atwood again and he had lunch with the boss and he was trying to swing it to ADT. This man told me, "I am still plugging for you, though." I know there was quite a bit of to-do and [fol. 8706] I do know that ADT did try their best to get that job away from me; not by lowering the prices, installation prices, or anything like that; they gave a legitimate installation price and I believe there were only just a very few dollars between our two installation prices, not enough to swing it one way or another.

By Mr. Story:

349 Q. Did he have any comments about the type of service you were able to give?

Mr. Fritz: Just a moment. I object to the form of the question. It is a leading question.

Mr. Story: Strike that question.

By Mr. Story:

350 Q. Did he make any statements concerning the type of service that you were able to render?

Mr. Fritz: If you know.

A. I didn't hear any statements, but Mr. Butler did have some comments to make about it and Mr. Butler did say that he had a little bit of an argument with Mr. Atwood, declaring that ADT couldn't perform the service that they claimed they could perform. Now, if I get my story straight now, ADT, or, Mr. Atwood said that I could not install a certificated alarm system and suggested that they go to ADT because they could. Sometime later I was back out to the Bargain Barn and this is when Mr. Butler told me that. [fol. 8707] I said, "How could ADT install a certificated type of alarm system here when the qualifications for this type of system demand that he be able to service this alarm system within a certain length of time, I believe it is 10 minutes, or whatever length of time it requires to get out there?" I said, "They can not put in an alarm system and guarantee that any law enforcement agency, including

themselves, could get 8600 on East Washington Street within the designated length of time. First of all, it is out of the County; they can not get Indianapolis Police support; they have to depend upon the Sheriff's Office and personnel. I don't believe they can offer their own service within that length of time." Mr. Butler, said, "I know myself they can not drive from town to 8600 in East Washington in 10 minutes." He agreed it would be impossible to actually fulfill a certificated type of contract. Now, the installation could definitely be certificated, but the service, I felt myself the service could not be performed, that was my opinion. Now, I believe that Mr. Butler got into some kind of a little argument with Mr. Atwood and reminded him of this fact; he didn't believe he could give the service he claimed he could give, and the thing just lay [fol. 8708] dormant after that for some time.

Mr. Fritz: Who got the contract?

The Witness: I finally got the contract.

Mr. Fritz: You got the contract?

The Witness: Yes, I got the contract, and I didn't claim to be able to give any service other than what ADT could give. I explained that I would have to depend upon the Sheriff's Office getting there and that length of time I could not guarantee because I, personally, live about 20 miles away, so it could take me a half hour to get there myself personally; if the Sheriff's Office was able to get there sooner, that is when they would get service. If they didn't, they would have to wait on me.

By Mr. Story:

351 Q. So, actually, what you installed in this place, was it local alarm or was it connected with the Telephone Answering Service?

A. No; it is connected with the Telephone Answering Service, central office. I don't know what difference there was in the price. Like I say, the installation price, I think, was about the same. I think I was less expensive on the monthly rate. That is the advantage I have in being a one-man operation: I can operate cheaper on my monthly rate and that might have helped swing the deal. I believe

[fol. 8709] the reason I got the job was because of Mr. Butler's efforts. He just simply didn't like Mr. Atwood.

352 Q. Now you mentioned this Haag Company, Haag Drug Company.

A. Yes, sir.

353 Q. Did that company have any type of protective service prior to the time that you installed your protection service?

A. Nothing active. The stores at one time had had local alarm systems, but they had been abandoned in years prior to that time. They had one store, one store that had had an alarm system; it was local. The rest of the Indianapolis stores I installed fresh, new alarms.

354 Q. Does your Telephone Answering Service have any of the insurance organizations like Underwriters' Laboratory or the Indiana Rating Bureau, have they ever inspected that for the purpose of approval?

A. Of the alarm equipment?

355 Q. No. I am talking about your telephone answering service panel.

A. No, my panel has never been inspected for any kind of approval.

356 Q. Do your Telephone Answering Service subscribers, do they get any insurance rate reductions for that service? [fol. 8710] A. Not as far as I know. I never use that as a selling point. I tell them they are not a certificated alarm system. If they try to get a decrease in their insurance premiums, that is up to them. I don't claim to have that type of a system that will offer that reduction.

357 Q. In your strictly local alarm service, do you have any certificated local alarm subscribers?

A. No.

358 Q. So, none of your local alarm subscribers receive any insurance premium discounts?

A. Not unless they got it on their own. You see, that can be done. I have heard the expression that 'your insurance is only good as your writer,' and there are many instances where an insurance writer will get their own insurance subscriber a discount on the insurance because of the alarm system, but that is up to them. I don't advertise, I don't use it as a sales' point. It definitely does

cut down the chances for burglary, but my type of system is not certificated or have any rating that would be approved.

359 Q. Now, you mentioned, when talking to Mr. Fritz, the fact that you had from time to time several false alarms on your Telephone Answering Service subscribers.

[fol. 8711] Mr. Fritz: He didn't say 'several'; he said 'about 50 per cent.'

By Mr. Story:

360 Q. And during that period of time, when you would get those alarms, you couldn't tell whether it was a trouble signal or actual intrusion of the property?

A. No, there is no way of telling.

361 Q. When you get this alarm, which indicates one or the other, either intrusion or a false alarm, your Telephone Answering Service immediately calls the local police?

A. In most instances. There are some instances where they have their orders to call me first, because it depends a whole lot on the time of day, or the subscribers, themselves. Now, say for instance, an alarm goes off at closing time when it shouldn't. Well, if I know this customer is closing at a particular time, six o'clock, and the alarm goes off at six o'clock, there should not be any signal. The girls on the board will not take the responsibility of not calling the police. I have them call me and I will take the responsibility. I say, "Don't call the police; I will take care of it myself personally. I will call back and/or call the home and find out what is wrong."

362 Q. Have the police complained to you about answer-
[fol. 8712] ing some of these false alarms?

A. I have had a couple of complaints, not officially from the Police Department, more from the squad car, themselves.

363 Q. What do they say to you?

A. Well, on one instance it was during a storm and I had two alarms that went off at once about a mile apart. Just happened to be both of them employed photoelectric system and the power was knocked out, which set off the alarm. I was reasonably certain that neither one were actually intrusions, because of the storm, but you can't ignore them, so I took the closest call myself, sent the police to the other

call. Well, it had blown a little bulb in the photoelectric system in the other one. In the meantime the police were at the other place, sitting outside in the rain, waiting for someone to show up. It took me about a half hour to get out there. When I got out there the police said, "We have better things to do than sit out here in the rain." I said, "Don't be a fool, go do them." He smarted off and it rubbed me thewrong way. That was not the Police Department talking.

364 Q. Because of the remarks by the police, on the false alarms in some instances, you asked the girls to call you rather than the police and it is because of that?

[fols. 8713-8715] A. That's exactly right.

Mr. Fritz: Could I interject a question at this point?

Mr. Story: Yes, sir.

Mr. Fritz: It is possible in some cases where you use your judgment as to whether an alarm is real or false, you could be wrong about it?

The Witness: It is possible, but in the event I am wrong, the alarm is not ignored.

Mr. Fritz: The time element is there?

The Witness: The time element is there. It is possible. That is one reason I am not a certificated alarm company. That is definitely a weakness, but in a way—in a way it is appreciated by my subscriber. I give a little more of a personal service than a cut-and-dried mechanical service. I don't demand that they are out of there right on time. I don't call them up and raise 'cain' with them if they have not left at a designated time. I am a little more lenient, which is not good from the standpoint of protection, but it it appreciated.

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[fol. 8716] 378 Q. Let me ask you this: On these contracts with your local alarm subscribers, do you put any term or period of time for which this contract is effective?

A. When I use this contract. . .

Mr. Fritz: (Interposing) That's been marked Deposition Exhibit 1.

[fol. 8717] A. (Cont'g) When I use that, I use that as a standard five-year contract.

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[fol. 8718] 385 Q. At any time your subscribers discontinue your service, do you take your equipment out?

A. Yes, I do.

386 Q. Do you do that in all instances?

A. No; it is not worth it.

387 Q. It is not worth taking out?

A. No.

388 Q. Are you familiar with the way ADT handles its installation charges?

A. No, not too familiar. I don't know how they base their installations. I never—There havn't been enough in-

[fol. 8719] stances for me that I recall where I have had to really study it. I don't believe there is a whole lot of difference between our two, because I can think of a time or two when our installation fees were about the same; so, I really don't know how they base theirs.

389 Q. You figure your installation charge on what, sir?

A. Basically, I take the cost of the equipment and roughly estimate the length of time that it is going to take me to install it.

390 Q. In other words, it is your labor time?

A. That's right.

391 Q. What else?

A. That's about it. That is the way I figure the installation fee. Like I started to explain a little earlier: I have a standard size store room in my mind when I go to install ing an alarm system or go to bid on a job. If it is less than standard size, I figure less than an average installation fee; if it is more than standard, I figure more than standard installation fee; so it is not a cut-and-dried method.

392 Q. Are you familiar with whether or not ADT removes its equipment at the end of the contract period, if the contract is not renewed?

[fol. 8720] A. It is my understanding they do.

393 Q. Do you have any knowledge of your own they do remove such equipment?

A. Let me think. . . My gosh, I can't think of any, I

really can't think of any right offhand. I don't recall ever following up ADT on a job. I don't believe I have ever gotten a customer from ADT.

394 Q. You have never taken over a customer that was previously serviced by ADT.

A. No, I don't think I ever have; not in the same location. I do recall one customer that moved and there was a little bit of a 'ruckus' there, too, if I am not mistaken. I had forgotten about it until you mentioned it. Zale Jewelry, they bought out Rost Jewelry here in town, and I was called in with at least one other company to bid on their new stores. This included the store in Irvington, the store in Kokomo, Indiana, and the store in Anderson, Indiana, doing some revising of their alarm system in Broad Ripple, and also in Fountain Square. Now, I bid on one store at the time. I do know of one other company bidding on the same store.

395 Q. What company was that?

A. American Alarm. I do know they bid on that.

[fols. 8721-8724] 396 Q. What was the altercation you mentioned?

Mr. Fritz: Object to the form of the question. He didn't say 'altercation.'

A. What I was getting at: they had moved from Irvington, their old store, and the old store was previously ADT. They moved to the corner which had been another building, drug store or something. ADT became a little unhappy because they didn't put ADT back in the same store, because they claimed, they had a contract with Rost Jewelry for a certain length of time. Zale's came back with the comment, "It is no longer Rost Jewelry, and not only that, it is not the same location, we have another building and we have left the location." It is my understanding from the management of Zale's, ADT was a little unhappy.

Mr. Fritz: Who got the contract?

The Witness: I got the contract. It was a local alarm system, but I do believe they still maintain ADT at their downtown store.

Mr. Fritz: You didn't bid on that?

The Witness: No, I didn't bid on that. They had it and kept it.

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[fol. 8725] 410 Q. Have any of your local burglar alarm subscribers had any burglars in their businesses since you have been in business?

A. Local, you say?

411 Q. Yes.

[fol. 8726] A. Yes, there have been.

412 Q. Were the burglars apprehended?

A. No, no. I have had very, very few losses. I can think of two or three right offhand, but there have been very few, but I have had some losses.

413 Q. And did the alarm go off at that time?

A. In one instance that I can think of the alarm did go off and was ignored, and during this period of time that elapsed between the going off and being ignored, they disalarmed it by completely taking it apart. That can happen. The neighbors all around said, "Well, we heard it but we have heard you testing it before, so we didn't think anything about it." A local alarm is not the best protection. It is a noisemaker designed to frighten off the intruders, really, more than alarming passers-by, I feel. In this particular case I am thinking of, they went right ahead and disalarmed and made off—in about five minutes and made off with about $3500 of TV sets.

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[fol. 8727] 435 Q. Have you ever installed any of your alarm systems in any premises where ADT previously furnished central station protection service?

A. No, I don't believe I ever have.

436 Q. Do you know how many subscribers the American Alarm Company has, central station subscribers?

A. No; but I could take a closer guess than for ADT. I would say roughly four or five hundred.

437 Q. Have you ever installed any of your alarm systems in premises where the American Alarm Company had previously furnished central station protection service?

[fols. 8728-8731] A. No, I don't believe so; none that I recall.

438 Q. None that you recall?

A. No.

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[fol. 8732] By Mr. Story:

445 Q. On strictly central station bidding, bidding for central station protection or telephone answering, or what you call a silent alarm type of an alarm system, how many times in the last—since you have been in business have you bid against ADT on strictly a silent alarm type of an operation?

A. Well, of course, there are many times you might bid and not know who you are bidding against, or that you are bidding against someone.

446 Q. Tell us the time you know that ADT was bidding on the same account you were bidding on.

A. There has only been three or four that I can think of.

447 Q. What about the American Alarm Company?

A. It seems like I usually see them more than I do ADT's representative; seems like I always bid there with American Alarm.

448 Q. That is on central station or silent alarm type of an account?

A. I would say three or four for both of them.

449 Q. Three or four for both of them combined?

A. No; each of them.

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[fol. 8733] Redirect examination.

Questions by Frank A. Fritz, Esq.:

450 Q. Mr. Walters, in connection with that matter where you said you had installed some equipment and a few days later you came and found ADT had installed service and the window taping—that is not what you you call it—What do you call it?

A. Foil.

451 Q. (Cont'g) . . . and the foil had been removed, if you had the contract there and the subscriber wanted to terminate it, would you have removed the foil?

A. No, I would not have removed it. There is no salvage value to foil. I would have removed it partially, just to keep it anyone else from using it.

452 Q. But for your own use, you would not have removed it?

A. No.

453 Q. The ADT central station burglary protective service includes the sending of armed guards, does it not, upon receipt of an alarm?

A. I believe so.

454 Q. You do not do that?

A. Yes, I do.

455 Q. You?

[fol. 8734] A. Me.

456 Q. You go?

A. Yes.

457 Q. And will you describe generally how you function?

A. Yes. I carry a firearm and I also carry the keys.

458 Q. But you are the one man?

A. I am the armed guard.

459 Q. So, as far as losses are concerned, those happen in premises protected by central station burglary protective service, too, do they not?

A. Losses occur in central offices?

460 Q. Protective premises.

A. Yes, but very, very seldom.

461 Q. But they do?

A. Oh, yes.

462 Q. And the instances you mentioned, for instance throwing a stone through a plate glass window, that is something that can't be protected by central station service?

A. No one can stop a hit-and-run thing.

463 Q. Because the time element is too short; is that right?

A. That's right.

464 Q. And the element of time of six to eight minutes, whatever it happens to be under the standard, is sometimes [fol. 8735] a sufficient time to effectuate a loss or robbery; is that so?

A. Oh, yes. There is always a loss of some kind in an attempt. There is usually damage to a building. You have to break a circuit to break an alarm. They can prowl the building all day, but until they damage something, there is an alarm. There is always some kind of a loss.

465 Q. If there should be a delay in a guard's arrival, or if there should happen to be a delay or should happen to be error in the human element in determining a signal, all of those terminate in a result that may effect a loss?

A. Yes, they do.

466 Q. In other words, central station service is not infallible?

A. There is nothing that I can think of that is infallible.

467 Q. Have ADT or American, either one, actually taken over any of your existing subscribers?

A. Yes, they have. I lost one almost immediately to American Alarm.

468 Q. That was the first one you told us about?

A. No, I don't believe.

469 Q. When you first went into business?

A. Yes, when I first went into business. I had four ac- [fols. 8736-8738] counts and lost one immediately. That was not any fault of American Alarm's; as a matter of fact, I even somewhat suggested it. They had a piece of equipment, it was radar unit, that I didn't want connected to my central office. It was a troublesome device, and the only one offering service for that device was American Alarm.

470 Q. So, you really didn't want it?

A. I really didn't want it, no.

471 Q. How about ADT?

A. I have never lost a customer to ADT once I have gotten them, other than what I have already mentioned.

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